

FINANCIAL STATEMENTS AND SUPPLEMENTAL  
INFORMATION

Bowling Green State University  
Year Ended June 30, 2007  
With Reports of Independent Auditors





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Bowling Green State University  
230 McFall Center  
Bowling Green, Ohio 43403

We have reviewed the *Report of Independent Auditors on Basic Financial Statements and Schedule of Expenditures of Federal Awards* of Bowling Green State University, Wood County, prepared by Ernst & Young LLP, for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Bowling Green State University is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 28, 2007

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Bowling Green State University

Financial Statements and  
Supplemental Information

Year Ended June 30, 2007

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## Report of Independent Auditors on Basic Financial Statements and Schedule of Expenditures of Federal Awards

The Board of Trustees  
Bowling Green State University

We have audited the accompanying statements of net assets of Bowling Green State University (the University), a component unit of the State of Ohio, and its discretely presented component unit as of June 30, 2007 and 2006 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Bowling Green State University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

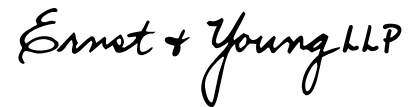
We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the University's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bowling Green State University and its discretely presented component unit as of June 30, 2007 and 2006 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Bowling Green State University taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2007, is presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



October 12, 2007



## **BOWLING GREEN STATE UNIVERSITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Overview of the Financial Statements and Financial Analysis**

This section of the Bowling Green State University (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2007, 2006 and 2005. This discussion provides an overview of the University's financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

#### **Using the Annual Financial Statement**

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provision of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Bowling Green State University Foundation, Inc. ("the Foundation") has been determined to be a component unit of the University. Accordingly, the Foundation is discretely presented in the University's financial statements. The Foundation has been excluded from Management's Discussion and Analysis.

The Statement of Net Assets includes all assets and liabilities. Over time, an increase or decrease in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public university's dependency on state aid and gifts typically results in operating deficits because the financial reporting model classifies state appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflow summarized by operating, non-capital financing, capital financing and related investing activities, and helps measure the ability of the institution to meet financial obligations as they mature.

#### **Noteworthy Financial Activity**

The University retired two outstanding debt issues in 2007; 1967 Revenue bond of \$7,500,000 and 1991 General Receipts bonds of \$9,305,000.

The University has begun a long-term planning initiative that will eventually encompass most aspects of University life including an extensive review and mission realignment of all academic programs and the capital facilities and infrastructure needed to support them. It is anticipated that a variety of new and renovated facility projects will occur over the next five to ten years in conjunction with a renewed focus on the backlog of deferred maintenance needs throughout the main campus. While the primary focus of these efforts is expected to be in academic buildings and related facility needs, significant attention will be devoted to a variety of student-focused auxiliary facilities including residence and dining halls.

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2007 as compared to the previous year as evidenced by:

- The University's total assets increased over the prior year by \$18.3 million, of which \$28.3 million is attributed to an increase in current assets and \$10.0 million is attributed to a decrease in non-current assets. Capital assets increased by \$7.3 million while restricted investments decreased by \$17.2 million.
- Total liabilities decreased by \$11.0 million due primarily to the \$9.9 million decrease in long-term debt and other obligations and \$1.2 million decrease in current liabilities.
- The University's net assets grew to \$395.0 million, an increase of \$29.4 million compared to the prior year's increase of \$14.5 million. Contributing to the change was a \$17.6 million increase in investment in capital assets, net of related debt. Of the total net assets, \$249.6 million is invested in either capital assets or is restricted. Of the remaining \$145.4 million in unrestricted net assets, \$131.3 million has been designated or allocated for specific academic, research and support purposes, reserves, and quasi-endowments.
- Total operating revenues increased by \$7.3 million compared to the prior year with \$9.4 million directly related to increased student tuition and fees, offset by a \$1.1 million decrease in educational department sales and services.
- The University's operating expenses increased by \$12.7 million. Changes in the educational and general expenses included an increase of \$4.9 million for instruction, an increase of \$3.5 million in academic support, an increase of \$4.8 million in student aid, and an aggregate decrease of \$.5 million for the other educational and general expense categories.
- Total non-operating revenues increased by \$20.6 million, primarily due to an increase in market value (unrealized gains) of investments of \$10.0 million, an increase in realized gains of \$5.0 million, and an increase in non-exchange grants and contracts of \$3.7 million.

**Bowling Green State University  
Condensed Statement of Net Assets  
as of June 30, 2007, 2006 and 2005  
(in thousands)**

|  | <u>2007</u>      | <u>2006</u>      | <u>2005</u>      |
|--|------------------|------------------|------------------|
| <b>ASSETS</b>                                      |                  |                  |                  |
| Current assets                                     | \$201,188        | \$172,885        | \$159,578        |
| Non-current assets:                                |                  |                  |                  |
| Capital assets                                     | 310,740          | 303,432          | 298,145          |
| Other  | <u>31,073</u>    | <u>48,331</u>    | <u>54,664</u>    |
| Total non-current assets                           | <u>341,813</u>   | <u>351,763</u>   | <u>352,809</u>   |
| Total assets                                       | <u>543,001</u>   | <u>524,648</u>   | <u>512,387</u>   |
| <b>LIABILITIES</b>                                 |                  |                  |                  |
| Current liabilities                                | 49,077           | 50,239           | 42,121           |
| Non-current liabilities                            | <u>98,892</u>    | <u>108,783</u>   | <u>119,162</u>   |
| Total liabilities                                  | <u>147,969</u>   | <u>159,022</u>   | <u>161,283</u>   |
| <b>NET ASSETS</b>                                  |                  |                  |                  |
| Invested in capital assets,<br>net of related debt | 238,645          | 221,039          | 216,283          |
| Restricted, expendable                             | 10,954           | 17,391           | 18,427           |
| Unrestricted                                       | <u>145,433</u>   | <u>127,196</u>   | <u>116,394</u>   |
| Total net assets                                   | <u>\$395,032</u> | <u>\$365,626</u> | <u>\$351,104</u> |

**2007 versus 2006:**

At June 30, 2007, total University assets were \$543.0 million, compared to \$524.6 million at June 30, 2006. The University's largest asset is its investment in capital assets of \$310.7 million at June 30, 2007 compared to \$303.4 million at June 30, 2006.

In fiscal year 2007, the University's current assets of \$201.2 million were sufficient to cover current liabilities of \$49.1 million (current ratio of 4.1). In fiscal year 2006, the University current assets of \$172.9 million were sufficient to cover current liabilities of \$50.2 million (current ratio of 3.4). Cash decreased by \$1.5 million in 2007 compared to an increase of \$2.0 million in 2006 due to normal operations. At June 30, 2007, University investments were \$200.0 million, or 36.8% of total assets, and increased by \$7.7 million in 2007 due primarily to \$10.0 million in market appreciation of investments. Capital assets (net of depreciation) of \$310.7 million represent 57.0% of the University's total assets.

University liabilities totaled \$148.0 million at June 30, 2007, 27.2% of total assets and \$11.0 million less than the prior year. Long-term debt decreased by \$9.9 million to \$98.9 million in 2007. University liabilities totaled \$159.0 million at June 30, 2006, 30.3% of total assets and \$2.3 million less than the prior year.

Total net assets increased by \$29.4 million to \$395.0 million in 2007. Unrestricted net assets total \$145.4 million in 2007 of which \$131.3 million was designated or allocated for specific ongoing academic, research and support purposes, reserves, and quasi-endowments.

## **2006 versus 2005:**

At June 30, 2006, total University assets were \$524.6 million, compared to \$512.4 million at June 30, 2005. The University's largest asset is its investment in capital assets of \$303.4 million at June 30, 2006 compared to \$298.1 million at June 30, 2005.

In fiscal year 2006, the University's current assets of \$172.9 million were sufficient to cover current liabilities of \$50.2 million (current ratio of 3.4). In fiscal year 2005, the University's current assets of \$159.6 million were sufficient to cover current liabilities of \$42.1 million (current ratio of 3.79). Cash increased by \$2.0 million in 2006 compared to a decrease of \$1.5 million in 2005 due to normal operations. At June 30, 2006, University investments were \$192.2 million, or 36.6% of total assets, and increased by \$2.5 million in 2006 due primarily to \$4.1 million in market appreciation of investments. Capital assets (net of depreciation) of \$303.4 million represent 57.8% of the University's total assets.

University liabilities totaled \$159.0 million at June 30, 2006, 30.3% of total assets and \$2.3 million less than the prior year. Long-term debt decreased \$10.4 million to \$108.8 million in 2006. University liabilities totaled \$161.3 at June 30, 2005, 31.5% of total assets and \$28.6 million more than the prior year. Long term debt increased by \$24.4 million to \$119.1 million in fiscal year 2005.

Total net assets increased by \$14.5 million to \$365.6 million in 2006. Unrestricted net assets total \$127.2 million in 2006 of which \$119.7 million has been designated or allocated for specific ongoing academic, research and support purposes, reserves, and quasi-endowments.

## **Bowling Green State University Condensed Statement of Revenues, Expenses and Changes in Net Assets as of June 30, 2007, 2006 and 2005 (in thousands)**

|  | <u>2007</u>      | <u>2006</u>      | <u>2005</u>      |
|--|------------------|------------------|------------------|
| Operating Revenues:                          |                  |                  |                  |
| Student tuition and fees                     | \$154,972        | \$145,547        | \$136,999        |
| Auxiliary enterprises                        | 74,342           | 76,045           | 70,669           |
| Grants and contracts                         | 18,560           | 17,965           | 17,402           |
| Sales and service                            | 5,560            | 6,617            | 6,114            |
| Other operating revenues                     | <u>3,736</u>     | <u>3,713</u>     | <u>2,291</u>     |
| Total operating revenues                     | <u>257,170</u>   | <u>249,887</u>   | <u>233,475</u>   |
| Operating Expenses:                          |                  |                  |                  |
| Educational and general                      | 274,201          | 261,807          | 248,251          |
| Auxiliary enterprises                        | 77,596           | 77,631           | 72,737           |
| Other expenses                               | <u>1,916</u>     | <u>1,588</u>     | <u>413</u>       |
| Total operating expenses                     | <u>353,713</u>   | <u>341,026</u>   | <u>321,401</u>   |
| Operating loss                               | <u>(96,543)</u>  | <u>(91,139)</u>  | <u>(87,926)</u>  |
| Non-operating revenues:                      |                  |                  |                  |
| State appropriations                         | 81,312           | 81,485           | 83,173           |
| Other non-operating revenues<br>and expenses | <u>42,755</u>    | <u>21,974</u>    | <u>24,132</u>    |
| Total non-operating revenues                 | <u>124,067</u>   | <u>103,459</u>   | <u>107,305</u>   |
| Income before other changes                  | 27,524           | 12,320           | 19,379           |
| Capital appropriations, grants and gifts     | <u>1,882</u>     | <u>2,202</u>     | <u>3,441</u>     |
| Total increase in net assets                 | 29,406           | 14,522           | 22,820           |
| Net assets at the beginning of the year      | <u>365,626</u>   | <u>351,104</u>   | <u>328,284</u>   |
| Net assets at the end of year                | <u>\$395,032</u> | <u>\$365,626</u> | <u>\$351,104</u> |

### **2007 versus 2006:**

The most significant sources of operating revenues for the University are tuition and fees of \$154.9 million, an increase of \$9.4 million, or 6.5% over 2006, which is primarily attributable to a 5.84% increase in tuition and general fees effective for Fall Semester 2006.

Total operating expenditures of \$353.7 million increased by \$12.7 million, or 3.72% in 2007. Educational and General expenses increased by \$12.4 million with instructional expense increasing \$4.9 million, academic support increasing \$3.5 million, and student aid increasing \$4.8 million. Operations and plant maintenance decreased by \$2.6 million from the prior year.

State appropriations, the most significant non-operating revenue, totaled \$81.3 million in the current year, down \$0.2 million from \$81.5 million in 2006.

Other non-operating revenues increased by \$20.8 million, primarily due to an increase in market value (unrealized gains) of investments of \$10.0 million, an increase in realized gains of \$5.0 million, and an increase in non-exchange grants and contracts of \$3.7 million.

### **2006 versus 2005:**

The most significant sources of operating revenues for the University are tuition and fees of \$145.5 million for 2006, an increase of \$8.5 million, or 6.24% over 2005, which is attributable to a 6.0% increase in tuition and fees effective for Fall Semester 2005.

Total operating expenditures of \$341.0 million increased by \$19.6 million, or 6.11% in 2006. Educational and General expenses increased by \$15.0 million with instructional expenses and depreciation expense increasing by \$5.8 million and \$1.1 million, respectively.

State appropriations, the most significant non-operating revenue, totaled \$81.5 million in the 2006, down \$1.7 million from \$83.2 million in 2005.

### **Bowling Green State University Condensed Statement of Cash Flows As of June 30, 2007, 2006 and 2005 (in thousands)**

|  | <u>2007</u>    | <u>2006</u>    |                 |
|--|----------------|----------------|-----------------|
| <u>2005</u>                              |                |                |                 |
| Cash provided by (used in):              |                |                |                 |
| Operating activities                     | \$(82,435)     | \$(66,685)     | \$(70,975)      |
| Noncapital financing activities          | 99,577         | 96,073         | 99,883          |
| Capital and related financing activities | (35,934)       | (34,274)       | 6,213           |
| Investing activities                     | <u>17,282</u>  | <u>6,867</u>   | <u>(36,607)</u> |
| Net change in cash                       | (1,510)        | 1,981          | (1,486)         |
| <br>                                     |                |                |                 |
| Cash—beginning of year                   | <u>3,584</u>   | <u>1,603</u>   | <u>3,089</u>    |
| <br>                                     |                |                |                 |
| Cash – end of year                       | <u>\$2,074</u> | <u>\$3,584</u> | <u>\$1,603</u>  |

### **2007 versus 2006:**

The most significant sources of cash included student tuition and fees of \$154.9 million in 2007 compared to \$144.5 million in 2006, state appropriations of \$81.3 million in 2007 compared to \$81.5 million in 2006, auxiliary enterprises of \$74.9 million in 2007 compared to \$74.2 million in 2006, and grants and contracts of \$35.6 million in 2007 compared to \$36.3 million in 2006. The largest payments were for vendors of \$99.4 million in 2007 compared to \$96.9 million in 2006 and payments to employees and for benefits of \$212.9 million in 2007 compared to \$202.7 million in 2006.

### **2006 versus 2005:**

The most significant sources of cash included student tuition of fees of \$144.4 million in 2006 compared to \$140.4 million in 2005, state appropriations of \$81.5 million in 2006 compared to \$83.2 million in 2005, auxiliary enterprises of \$74.2 million in 2006 compared to \$68.7 million in 2005, and grants and contracts of \$36.3 million in 2006 compared to \$33.8 million in 2005. The largest payments were for vendors of \$96.9 million in 2006 compared to \$91.3 million in 2005 and payments to employees and for benefits of \$202.7 million in 2006 compared to \$197.0 million in 2005.

### **Capital Assets and Debt Administration**

During the fiscal year ended June 30, 2007, the majority of construction was completed on the Sebo Athletic Center, as well as miscellaneous renovations projects for various student housing facilities and utility upgrades.

At June 30, 2007, the University had \$310.7 million of capital assets, net of accumulated depreciation of \$248.3 million, compared to \$303.4 million of capital assets for the prior fiscal year. The charges for depreciation included in the Statement of Revenues, Expenses, and Changes in Net Assets was \$20.1 million for 2007 and \$19.2 million for 2006. Detailed information about the University's capital assets is presented in the Notes to the Financial Statements.

### **Economic Factors That Will Affect the Future**

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, legislative restrictions on tuition, changes in state support, and the cost of employee compensation, health care, and utilities.

The economic position of the University is closely tied to the economic condition of the state, as all state universities in Ohio receive state financial support for both operations and capital improvements through appropriations by the legislature. These appropriations contribute substantially to the successful maintenance and operation of the University.

The Foundation is nearing completion of its first comprehensive fundraising campaign. An original, overall goal of \$120 million was established to provide funds for endowed scholarships, new facilities and other faculty and academic priorities. It is expected that this goal will be met and exceeded prior to the University's centennial celebration in 2010.

In June 2007, the state of Ohio passed its biennial budget bill for fiscal years 2008-2009 which included a planned increase in operating appropriations to public colleges and universities of 5% in fiscal year 2008 and 10% in fiscal year 2009. Additionally, the budget bill called for public colleges and universities to refrain from raising tuition and general fees in fiscal year 2008 and fiscal year 2009. The bill also contained provisions requiring each school to demonstrate operating efficiencies of 1% in fiscal year 2008 (estimated by the Ohio Board of Regents as \$1.4 million for the University) and 3% in fiscal year 2009 (estimated by the Ohio Board of Regents as approximately 3 times the amount in fiscal year 2008 or \$4.2 million). The University expects to meet these efficiency requirements through a variety of operating cost reduction efforts as well as enhanced collaborative efforts with other Ohio public colleges and universities.

Bowling Green State University  
**Statements of Net Assets**  
June 30

|   | <u>Bowling Green State University</u> |                | <u>Bowling Green State University<br/>Foundation, Inc.</u> |               |
|---|---------------------------------------|----------------|--|---------------|
|   | <u>2007</u>                           | <u>2006</u>    | <u>2007</u>  | <u>2006</u>   |
| <b>ASSETS</b>   |                                       |                |  |               |
| <b>Current Assets</b>                                   |                                       |                |  |               |
| Cash  | \$ 2,074,158                          | \$ 3,583,944   | \$ 510,191   | \$ 515,583    |
| Investments   | 176,624,084                           | 151,712,659    | -  | -             |
| Accrued interest receivable                             | 831,656                               | 836,388        | 209,632  | 219,552       |
| Accounts receivable, net                                | 14,925,616                            | 10,177,526     | 6,802,735  | 4,974,699     |
| Inventories   | 4,668,163                             | 4,897,033      | -  | -             |
| Notes receivable  | 1,399,462                             | 1,356,724      | -  | -             |
| Other assets  | 665,208                               | 320,804        | -  | -             |
| Total current assets                                    | 201,188,347                           | 172,885,078    | 7,522,558  | 5,709,834     |
| <b>Noncurrent Assets</b>                                |                                       |                |  |               |
| Accounts receivable, net                                | -                                     | -              | 8,224,532  | 9,258,075     |
| Restricted investments                                  | 23,322,207                            | 40,537,573     | 101,948,779  | 84,707,308    |
| Cash surrender value of life insurance and annuities    | 391,292                               | 376,713        | 1,113,728  | 666,491       |
| Notes receivable  | 7,359,753                             | 7,417,099      | -  | -             |
| Capital assets, net                                     | 310,739,608                           | 303,431,729    | -  | -             |
| Total noncurrent assets                                 | 341,812,860                           | 351,763,114    | 111,287,039  | 94,631,874    |
| Total assets  | 543,001,207                           | 524,648,192    | 118,809,597  | 100,341,708   |
| <b>LIABILITIES</b>                                      |                                       |                |  |               |
| <b>Current Liabilities</b>                              |                                       |                |  |               |
| Accounts payable and accrued expenses                   | 17,368,247                            | 17,380,714     | 221,268  | 298,165       |
| Deferred revenue  | 15,474,197                            | 16,735,252     | -  | -             |
| Deposits  | 761,164                               | 182,237        | -  | -             |
| Current portion of long-term debt and other obligations | 15,473,398                            | 15,940,398     | -  | -             |
| Total current liabilities                               | 49,077,006                            | 50,238,601     | 221,268  | 298,165       |
| <b>Noncurrent Liabilities</b>                           |                                       |                |  |               |
| Long-term debt and other obligations                    | 98,891,809                            | 108,783,191    | 1,089,397  | 1,042,331     |
| Total liabilities                                       | 147,968,815                           | 159,021,792    | 1,310,665  | 1,340,496     |
| <b>NET ASSETS</b>                                       |                                       |                |  |               |
| Invested in capital assets, net of related debt         | 238,645,346                           | 221,038,977    | -  | -             |
| Restricted for expendable:                              |                                       |                |  |               |
| Loans   | 910,754                               | 883,782        | -  | -             |
| Capital projects and debt service                       | 10,043,544                            | 16,507,313     | -  | -             |
| Unrestricted  | 145,432,748                           | 127,196,328    | 4,452,791  | 2,145,832     |
| Temporarily restricted                                  | -                                     | -              | 47,405,770   | 37,760,472    |
| Permanently restricted                                  | -                                     | -              | 65,640,371   | 59,094,908    |
| Total net assets  | \$ 395,032,392                        | \$ 365,626,400 | \$ 117,498,932   | \$ 99,001,212 |

See accompanying notes to financial statements

Bowling Green State University  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
Years Ended June 30

|  | Bowling Green State University |                       | Bowling Green State University<br>Foundation, Inc. |                      |
|--|--------------------------------|-----------------------|--|----------------------|
|  | 2007                           | 2006                  | 2007   | 2006                 |
| <b>REVENUES</b>  |                                |                       |  |                      |
| <b>Operating Revenues</b>  |                                |                       |  |                      |
| Student tuition and fees (net of scholarship allowances<br>of \$60,625,116 for 2007 and \$57,829,534 for 2006) | \$ 154,972,939                 | \$ 145,547,100        | \$ -   | \$ -                 |
| Federal grants and contracts   | 6,630,037                      | 7,446,409             | -  | -                    |
| State grants and contracts   | 2,317,069                      | 1,830,455             | -  | -                    |
| Local grants and contracts   | 20,266                         | 25,987                | -  | -                    |
| Nongovernmental grants and contracts   | 9,592,950                      | 8,660,428             | -  | -                    |
| Contributions and gifts  | -                              | -                     | 7,968,490  | 7,186,154            |
| Sales and services of educational departments  | 5,559,864                      | 6,617,872             | -  | -                    |
| Auxiliary enterprises (net of scholarship allowances<br>of \$1,624,137 for 2007 and \$1,611,107 for 2006)      | 74,341,176                     | 76,045,353            | -  | -                    |
| Other operating revenues   | <u>3,735,831</u>               | <u>3,713,688</u>      | <u>2,095,629</u>                                   | <u>1,632,000</u>     |
| Total operating revenues   | <u>257,170,132</u>             | <u>249,887,292</u>    | <u>10,064,119</u>                                  | <u>8,818,154</u>     |
| <br><b>EXPENSES</b>  |                                |                       |  |                      |
| <b>Operating Expenses</b>  |                                |                       |  |                      |
| Educational and General  |                                |                       |  |                      |
| Instruction  | 119,780,304                    | 114,911,377           | -  | -                    |
| Research   | 7,694,224                      | 7,400,084             | -  | -                    |
| Public services  | 9,038,325                      | 9,007,173             | -  | -                    |
| Academic support   | 32,292,106                     | 28,750,711            | 11,720,011   | 10,330,653           |
| Student services   | 20,039,696                     | 20,097,469            | -  | -                    |
| Institutional support  | 28,848,714                     | 28,270,205            | 542,445  | 518,815              |
| Support of college fundraising   | -                              | -                     | -  | -                    |
| Operations and maintenance of plant  | 15,402,709                     | 17,963,881            | -  | -                    |
| Depreciation   | 20,105,637                     | 19,228,999            | -  | -                    |
| Student aid  | 20,999,684                     | 16,176,657            | -  | -                    |
| Auxiliary enterprises  | 77,596,056                     | 77,631,357            | -  | -                    |
| Other expenses   | <u>1,915,817</u>               | <u>1,588,765</u>      | <u>880,286</u>                                     | <u>885,425</u>       |
| Total operating expenses   | <u>353,713,272</u>             | <u>341,026,678</u>    | <u>13,142,742</u>                                  | <u>11,734,893</u>    |
| Operating loss   | (96,543,140)                   | (91,139,386)          | (3,078,623)  | (2,916,739)          |
| <br><b>NONOPERATING REVENUES (EXPENSES)</b>  |                                |                       |  |                      |
| State appropriations   | 81,312,285                     | 81,485,451            | -  | -                    |
| Nonexchange grants and contracts   | 18,264,619                     | 14,588,073            | -  | -                    |
| Investment income, net   | 24,987,484                     | 9,596,401             | 15,455,012   | 5,302,766            |
| Additions to permanent endowments  | -                              | -                     | 6,121,331  | 3,692,179            |
| Interest on capital asset-related debt   | (4,117,090)                    | (4,553,935)           | -  | -                    |
| Other nonoperating revenues  | <u>3,619,788</u>               | <u>2,343,378</u>      | <u>-</u>   | <u>-</u>             |
| Net nonoperating revenues  | <u>124,067,086</u>             | <u>103,459,368</u>    | <u>21,576,343</u>                                  | <u>8,994,945</u>     |
| Income before other changes  | <u>27,523,946</u>              | <u>12,319,982</u>     | <u>18,497,720</u>                                  | <u>6,078,206</u>     |
| <br><b>OTHER CHANGES</b>   |                                |                       |  |                      |
| Capital appropriations   | 773,721                        | 1,845,366             | -  | -                    |
| Capital grants and gifts   | <u>1,108,325</u>               | <u>357,260</u>        | <u>-</u>   | <u>-</u>             |
| Total other changes  | <u>1,882,046</u>               | <u>2,202,626</u>      | <u>-</u>   | <u>-</u>             |
| Increase in net assets   | <u>29,405,992</u>              | <u>14,522,608</u>     | <u>18,497,720</u>                                  | <u>6,078,206</u>     |
| <br><b>NET ASSETS</b>  |                                |                       |  |                      |
| Net assets at the beginning of year  | <u>365,626,400</u>             | <u>351,103,792</u>    | <u>99,001,212</u>                                  | <u>92,923,006</u>    |
| Net assets at the end of year  | <u>\$ 395,032,392</u>          | <u>\$ 365,626,400</u> | <u>\$ 117,498,932</u>                              | <u>\$ 99,001,212</u> |

See accompanying notes to financial statements



Bowling Green State University  
**Statements of Cash Flows**  
Years Ended June 30

|   | <u>2007</u>            | <u>2006</u>            |
|---|------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                        |                        |
| Tuition and fees  | \$ 154,915,771         | \$ 144,538,908         |
| Research grants and contracts   | 12,612,663             | 19,018,084             |
| Payments to vendors for supplies and services   | (99,401,538)           | (96,947,062)           |
| Payments to employees and benefits  | (212,903,994)          | (202,748,125)          |
| Payments for scholarships and fellowships   | (20,999,684)           | (16,176,657)           |
| Student loans granted, net of repayments  | 29,096                 | (379,949)              |
| Auxiliary enterprises   | 74,901,297             | 74,175,382             |
| Sales and services of educational departments   | 5,559,864              | 8,765,484              |
| Other receipts  | 2,852,030              | 3,068,642              |
| Net cash used in operating activities   | <u>(82,434,495)</u>    | <u>(66,685,293)</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                |                        |                        |
| State appropriations  | 81,312,285             | 81,485,451             |
| Direct Lending Receipts   | 76,861,879             | 79,705,516             |
| Direct Lending Disbursements  | (76,861,879)           | (79,705,516)           |
| Grants received for other than capital purposes                                       | 18,264,619             | 14,588,073             |
| Net cash provided by noncapital financing activities                                  | <u>99,576,904</u>      | <u>96,073,524</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                       |                        |                        |
| Capital appropriations  | 773,721                | 1,845,366              |
| Capital grants received   | 4,728,113              | 2,700,638              |
| Purchases of capital assets   | (27,413,517)           | (24,515,899)           |
| Principal paid on long-term debt  | (9,905,000)            | (9,750,000)            |
| Interest paid on long-term debt   | (4,117,090)            | (4,553,935)            |
| Net cash used in capital financing activities   | <u>(35,933,773)</u>    | <u>(34,273,830)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                        |                        |
| Proceeds from sales and maturities of investments                                     | 258,813,383            | 200,430,821            |
| Interest on investments   | 24,992,216             | 9,447,248              |
| Purchases of investments  | (266,524,021)          | (203,011,502)          |
| Net cash provided by investing activities   | <u>17,281,578</u>      | <u>6,866,567</u>       |
| Net (decrease) increase in cash   | (1,509,786)            | 1,980,968              |
| Cash--beginning of year   | 3,583,944              | 1,602,976              |
| Cash--end of year   | <u>\$ 2,074,158</u>    | <u>\$ 3,583,944</u>    |
| <b>Reconciliation of net operating loss to net cash used in operating activities:</b> |                        |                        |
| Operating loss  | \$ (96,543,140)        | \$ (91,139,386)        |
| Adjustments to reconcile operating loss to net cash used by operating activities:     |                        |                        |
| Depreciation expense  | 20,105,637             | 19,228,999             |
| Amortization of bond premium  | (539,397)              | (539,398)              |
| Changes in assets and liabilities:  |                        |                        |
| Accounts receivable, net  | (4,748,091)            | (1,522,602)            |
| Inventories   | 228,870                | (264,408)              |
| Other assets  | (344,404)              | (105,648)              |
| Accounts payable and accrued liabilities  | (12,467)               | 5,798,352              |
| Deferred revenue  | (1,261,054)            | 2,194,233              |
| Deposits held for others  | 578,927                | (356,295)              |
| Compensated absences  | 86,016                 | 391,891                |
| Loans to students   | 14,608                 | (371,031)              |
| Net cash used in operating activities   | <u>\$ (82,434,495)</u> | <u>\$ (66,685,293)</u> |

See accompanying notes to financial statements

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

1. ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Bowling Green State University is an instrumentality of the State of Ohio that serves the state, national, and international communities by providing its students with opportunities in learning, leadership, and research by providing expert faculty, premier facilities and modern resources.

Reporting Entity: Bowling Green State University (the "University"), founded in 1910, is a component unit of the State of Ohio as established by the General Assembly of the State of Ohio under Chapter 3341 of the Revised Code of the State of Ohio. The University offers degrees at the undergraduate, masters, and doctoral levels.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include those activities and functions over which the University is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the University's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the University.

Financial Statement Presentation: The accompanying financial statements consist of the University and Bowling Green State University Foundation, Inc. (the "Foundation"). GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires the University to reflect the Foundation as a discretely presented component unit in the financial statements based on the significance of its relationship with the University. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

The Foundation is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The thirty-six member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing and amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2007 and 2006, the Foundation distributed \$8,405,185 and \$6,608,254, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Assistant Vice President for Advancement Services/Controller at Mileti Alumni Center, Bowling Green, Ohio 43403.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

The University follows all applicable GASB pronouncements. In addition, the University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

Inventories: Inventories are stated at the lower of average cost or market (net realizable value).

Investments: All investments are stated at fair value in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Nonpublicly traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenue, Expenses, and Changes in Net Assets.

Short-term Investments: Short-term investments include highly liquid and short duration assets (maturities less than 90 days). These assets can be withdrawn on demand.

Restricted Investments: Restricted investments are assets that have been set aside for restricted purposes.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a cost of \$3,500 or more, and an estimated useful life of greater than one year. Renovations to buildings that exceed 5% of the cumulative building cost are capitalized. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 to 30 years for infrastructure and improvements, and 5 to 12 years for equipment. Library materials are capitalized and written off over 10 years.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Deferred Revenue: Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. Summer term revenue and expenses are recorded net in the accompanying financial statements and are allocated to the appropriate accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences: University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitations are forfeited. The liability and expense incurred are recorded at year-end as long-term liabilities in the Statement of Net Assets, and as a component of operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue and general receipts bonds and notes payable with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year and (3) federal student loan deposits.

Net Assets: The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Invested in capital assets, net of related debt.

*Restricted for expendable:* Restricted expendable net assets include resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties for loans, capital projects and debt service.

*Unrestricted:* Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general obligations of the University, and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

*Temporarily restricted:* Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation.

*Permanently restricted:* Permanently restricted net assets represent contributions received whereby the donors have stipulated that the corpus is to be maintained permanently, but permit the Foundation to use or expend part or all of the income for either specified or unspecified purposes. The unexpended income from these donated assets are classified as temporarily restricted funds.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Tax: The University, as an instrumentality of the State of Ohio, is excluded from Federal income taxes under Section 115 of the Internal Revenue Code, as amended. Certain activities of the University may be subject to taxation as unrelated business income.

Revenues: The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* *Operating* revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, state and local grants and contracts.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No 34, such as State appropriations and investment income.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Auxiliary Enterprises: Auxiliary activities mainly represent revenues generated from Residence Halls and Dining Services, Intercollegiate Athletics, Bookstore, and various other activities that provide services to the student body, faculty, staff and general public.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Eliminations: In preparing the financial statements, the University eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the Statement of Net Assets. Similarly, revenues and expenses related to internal activities are also eliminated from the Statement of Revenues, Expenses and Changes in Net Assets. Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts where the University has discretion over such expenses, while stipends and other payments made directly to students are presented as scholarships and fellowships expenses.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Reclassification: Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

2. CASH AND INVESTMENTS

Monies held in the University treasury are pooled for the purpose of cash and investment management.

Deposits

Amounts available for deposit are as follows:

|  | June 30,     |              |
|--|--------------|--------------|
|  | 2007         | 2006         |
| Cash (Carry amounts)   | \$ 1,933,121 | \$ 3,463,402 |
| Reconciling items (net) to arrive at<br>bank balances of deposit             | 1,492,356    | (281,945)    |
| Total available for deposit and<br>investment<br>(Bank balances of deposits) | \$ 3,425,477 | \$ 3,181,457 |

The carrying amount shown above does not include \$141,037 in 2007 and \$120,542 in 2006 held in cash funds.

Any public depository, at the time it receives a University deposit or investment in a certificate of deposit, is required to pledge to the University as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation, equals or exceeds the amount of University funds deposited. Of the bank balance, \$267,608 in 2007 and \$210,391 in 2006 was covered by federal depository insurance, and \$3,157,869 in 2007 and \$2,971,066 in 2006 was covered by the pledge described above.

The University invests in STAR Ohio, an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The current market value of the pool of securities so pledged together with the amount covered by federal insurance must be at least equal to 110% of all public monies on deposit with the depository.

BOWLING GREEN STATE UNIVERSITY  
 NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Investments

The University's investment policy authorizes the University to invest operating funds; the University has no endowment funds, in the following investments:

- Obligations of the US Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Ohio State Treasurer's investment pool
- Certificates of deposit (domestic and Eurodollar)
- Repurchase agreements
- Mutual funds
- Commercial paper
- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Collateralized mortgage obligations
- Asset-backed securities

The University operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

All common stocks, corporate bonds, money market instruments, mutual funds and other investments are invested through a trust agreement with Fifth Third Bank which is the custodian for all funds managed by external money managers. Short-term investments with Sky Bank are secured with internally designated securities as pledged to the University.

The values of investments at June 30, 2007 and 2006 are as follows:

|                                     | <u>2007</u>           | <u>2006</u>          |
|-------------------------------------|-----------------------|----------------------|
| Common Stock                        | \$ 27,967,818         | \$ 9,880,260         |
| Equity mutual funds                 | 74,832,735            | 64,884,867           |
| US government obligations           | 23,409,356            | 21,690,698           |
| US government agency obligations    | 60,999,988            | 85,319,569           |
| Municipal Bonds                     | 267,256               | 300,000              |
| Corporate bonds and notes           | 10,637,137            | 8,351,674            |
| State pooled government obligations | 1,772,975             | 1,693,766            |
| Other                               | 59,026                | 123,398              |
|                                     | <u>\$ 199,946,291</u> | <u>\$192,250,232</u> |

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2007, the University realized a net gain of \$4,971,322 from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year-end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the

BOWLING GREEN STATE UNIVERSITY  
 NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

current year were included as a change in the fair value of investments reported in the prior year and the current year. The net appreciation in the fair value of investments during the year ended June 30, 2006 was \$14,990,437. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the year on investments was \$10,019,115. The University's investments are temporary investments designated by management.

In 2005 the University adopted GASB Statement No. 40, Deposits and Investment Risk Disclosure, which requires certain additional disclosures related to the interest rate, credit, foreign currency and custodial risks associated with investments. At the present time, the University does not have formal policies addressing these types of risks.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

As of June 30, 2007 the University had the following interest-bearing investments and maturities.

| Investment Type                 | Value                | Than 1               | 1 - 5                | 6 - 10              | Than 10              |
|---------------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|
| US Treasuries                   | \$ 23,409,356        | \$ 17,454,178        | \$ 1,416,138         | \$ 3,869,561        | \$ 669,479           |
| US Agencies                     | 60,999,988           | 24,486,833           | 30,185,563           | 947,850             | 5,379,742            |
| Corporate Bonds                 | 10,637,137           | 582,274              | 2,777,436            | 2,614,280           | 4,663,147            |
| Municipal Bonds<br>State Pooled | 267,256              | 17,112               | 73,739               | 105,322             | 71,083               |
| Government Obligations          | 1,772,975            | 1,772,975            | -                    | -                   | -                    |
| Foreign Bonds                   | 59,026               | -                    | 30,439               | 28,587              | -                    |
| Total                           | <u>\$ 97,145,738</u> | <u>\$ 44,313,372</u> | <u>\$ 34,483,315</u> | <u>\$ 7,565,600</u> | <u>\$ 10,783,451</u> |

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by the nationally recognized statistical rating organizations (NRSRO's) such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.



BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

The credit ratings of the University's interest-bearing investments at June 30, 2007 are as follows:

| Credit Rating<br>(Moody's) | Total                | U.S. Government<br>Obligations | U.S. Agency<br>Obligations | Corporate<br>Bonds   | Municipal<br>Bonds |
|----------------------------|----------------------|--------------------------------|----------------------------|----------------------|--------------------|
| Aaa                        | \$ 90,696,816        | \$ 25,182,331                  | \$ 60,999,988              | \$ 4,514,497         | \$ -               |
| Aa                         | 1,558,434            | -                              | -                          | 1,558,434            | -                  |
| A                          | 3,436,680            | -                              | -                          | 3,436,680            | -                  |
| Baa                        | 1,117,211            | -                              | -                          | 1,117,211            | -                  |
| Baa                        | 10,315               | -                              | -                          | 10,315               | -                  |
| Unquoted                   | 326,282              | -                              | -                          | 59,026               | 27,256             |
| Total                      | <u>\$ 97,145,738</u> | <u>\$ 25,182,331</u>           | <u>\$ 60,999,988</u>       | <u>\$ 10,696,163</u> | <u>\$ 27,256</u>   |

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University facilitates several Study Abroad Programs in Austria, Spain, and France with a total cash balance of \$538,343 at June 30, 2007. The University also has investments in foreign bonds whose fair market value was \$59,026 at June 30, 2007.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment of \$1,772,975 State Treasurer's investment program is not evidenced by securities that exist in physical or book entry form. The remaining investments are insured and registered with securities held by the counter party's trust department or agent in the University's name.

3. ACCOUNTS RECEIVABLE

The composition of accounts receivable is summarized as follows:

|  | June 30,             |                      |
|--|----------------------|----------------------|
|  | <u>2007</u>          | <u>2006</u>          |
| Student receivables for fees, room and board | \$ 6,538,037         | \$ 5,817,904         |
| Research and sponsored programs              | 8,776,754            | 4,731,551            |
| Other  | <u>260,825</u>       | <u>278,071</u>       |
|  | 15,575,616           | 10,827,526           |
| Less allowance for doubtful accounts         | <u>650,000</u>       | <u>650,000</u>       |
| TOTALS                                       | <u>\$ 14,925,616</u> | <u>\$ 10,177,526</u> |

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4. NOTES RECEIVABLE

Principal repayment and interest rate terms of federal and university loans vary considerably. Federal loan programs are funded principally with federal contributions to the University under the Perkins and Nursing Loan programs. All amounts recorded are believed collectible. Any uncollectible amounts are not expected to have a significant impact on the financial statements.

The University distributed \$75,132,446 for student loans in 2007 and \$77,950,048 in 2006 through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

5. CAPITAL ASSETS

Capital assets and accumulated depreciation as of June 30, 2007 are summarized as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Retirements</u>   | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|----------------------|---------------------------|
| <b>Capital Assets</b>                    |                              |                     |                      |                           |
| Land                                     | \$ 5,355,970                 | \$ 711,000          | \$ -                 | \$ 6,066,970              |
| Construction in Progress                 | 20,342,674                   | 14,447,926          | 22,256,491           | 12,534,109                |
|  |                              |                     |                      |                           |
| Non-depreciable<br>Assets                | 25,698,644                   | 15,158,926          | 22,256,491           | 18,601,079                |
|  |                              |                     |                      |                           |
| Buildings                                | 371,362,567                  | 21,049,641          | -                    | 392,412,208               |
| Infrastructure                           | 52,701,844                   | 2,010,497           | -                    | 54,712,341                |
| Equipment                                | 57,196,217                   | 8,826,288           | 1,464,843            | 64,557,662                |
| Library Materials                        | 28,224,384                   | 2,860,373           | 2,311,300            | 28,773,457                |
|  |                              |                     |                      |                           |
| Depreciable Assets                       | 509,485,012                  | 34,746,799          | 3,776,143            | 540,455,668               |
|  |                              |                     |                      |                           |
| Total Capital Assets                     | 535,183,656                  | 49,905,725          | 26,032,634           | 559,056,747               |
|  |                              |                     |                      |                           |
| <b>Less Accumulated<br/>Depreciation</b> |                              |                     |                      |                           |
| Buildings                                | 164,668,829                  | 9,191,967           | -                    | 173,860,796               |
| Infrastructure                           | 22,297,099                   | 2,024,691           | -                    | 24,321,790                |
| Equipment                                | 31,506,251                   | 6,292,934           | 1,229,125            | 36,570,060                |
| Library Materials                        | 13,279,748                   | 2,596,045           | 2,311,300            | 13,564,493                |
|  |                              |                     |                      |                           |
| Total Accumulated<br>Depreciation        | 231,751,927                  | 20,105,637          | 3,540,425            | 248,317,139               |
|  |                              |                     |                      |                           |
| <b>Capital Assets, Net</b>               | <u>\$ 303,431,729</u>        | <u>\$29,800,088</u> | <u>\$ 22,492,209</u> | <u>\$ 310,739,608</u>     |

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Capital assets and accumulated depreciation as of June 30, 2006 are summarized as follows:

|  | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Retirements</b>  | <b>Ending<br/>Balance</b> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| <b>Capital Assets</b>                    |                              |                     |                     |                           |
| Land                                     | \$ 4,940,021                 | \$ 415,949          | \$ -                | \$ 5,355,970              |
| Construction in Progress                 | 7,902,023                    | 17,179,737          | 4,739,086           | 20,342,674                |
| Non-depreciable Assets                   | 12,842,044                   | 17,595,686          | 4,739,086           | 25,698,644                |
| Buildings                                | 366,040,785                  | 5,321,782           | -                   | 371,362,567               |
| Infrastructure                           | 51,544,260                   | 1,157,584           | -                   | 52,701,844                |
| Equipment                                | 57,545,859                   | 2,571,613           | 2,921,255           | 57,196,217                |
| Library Materials                        | 27,722,651                   | 2,807,510           | 2,305,777           | 28,224,384                |
| Depreciable Assets                       | 502,853,555                  | 11,858,489          | 5,227,032           | 509,485,012               |
| Total Capital Assets                     | 515,695,599                  | 29,454,175          | 9,966,118           | 535,183,656               |
| <b>Less Accumulated<br/>Depreciation</b> |                              |                     |                     |                           |
| Buildings                                | 155,701,927                  | 8,966,902           | -                   | 164,668,829               |
| Infrastructure                           | 20,351,908                   | 1,945,191           | -                   | 22,297,099                |
| Equipment                                | 28,452,075                   | 5,776,241           | 2,722,065           | 31,506,251                |
| Library Materials                        | 13,044,860                   | 2,540,665           | 2,305,777           | 13,279,748                |
| Total Accumulated<br>Depreciation        | 217,550,770                  | 19,228,999          | 5,027,842           | 231,751,927               |
| <b>Capital Assets, Net</b>               | <b>\$298,144,829</b>         | <b>\$10,225,176</b> | <b>\$ 4,938,276</b> | <b>\$ 303,431,729</b>     |

BOWLING GREEN STATE UNIVERSITY  
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6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The composition of accounts payable and accrued expenses is summarized as follows:

|                          | June 30,                    |                             |
|--------------------------|-----------------------------|-----------------------------|
|                          | <u>2007</u>                 | <u>2006</u>                 |
| Accounts Payable         | \$ 6,996,921                | \$ 7,910,675                |
| Payroll and withholdings | 8,771,326                   | 7,870,039                   |
| Health claims            | <u>1,600,000</u>            | <u>1,600,000</u>            |
| <b>TOTALS</b>            | <u><u>\$ 17,368,247</u></u> | <u><u>\$ 17,380,714</u></u> |

7. LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt and other obligations for June 30, 2007, are summarized as follows:

|                                    | Beginning                   |                           |                            | Ending                       | Due In                     |
|------------------------------------|-----------------------------|---------------------------|----------------------------|------------------------------|----------------------------|
|                                    | Balance                     | Additions                 | Reductions                 | Balance                      | One Year                   |
| <b>Bonds &amp; notes payable:</b>  |                             |                           |                            |                              |                            |
| Dormitory system bonds             | \$ 30,920,000               | \$ -                      | \$ 4,060,000               | \$ 26,860,000                | \$ 4,265,000               |
| Other bonds                        | 68,330,000                  | -                         | 5,845,000                  | 62,485,000                   | 4,790,000                  |
| Bond premium                       | 4,714,542                   | -                         | 539,397                    | 4,175,145                    | 539,398                    |
| Total bonds & notes payable        | <u>103,964,542</u>          | -                         | <u>10,444,397</u>          | <u>93,520,145</u>            | <u>9,594,398</u>           |
| <b>Other Liabilities:</b>          |                             |                           |                            |                              |                            |
| Vacation pay                       | 8,535,615                   | 5,392,478                 | 5,758,463                  | 8,169,630                    | 5,491,000                  |
| Sick leave                         | 3,905,000                   | 889,103                   | 437,103                    | 4,357,000                    | 388,000                    |
| Federal student loan deposits      | 8,318,432                   | -                         | -                          | 8,318,432                    | -                          |
| Total other liabilities            | <u>20,759,047</u>           | <u>6,281,581</u>          | <u>6,195,566</u>           | <u>20,845,062</u>            | <u>5,879,000</u>           |
| <b>Total long-term liabilities</b> | <u><u>\$124,723,589</u></u> | <u><u>\$6,281,581</u></u> | <u><u>\$16,639,963</u></u> | <u><u>\$ 114,365,207</u></u> | <u><u>\$15,473,398</u></u> |

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Long-term debt and other obligations for June 30, 2006, are summarized as follows:

| <b>Bonds &amp; notes payable:</b>      | Beginning<br>Balance | Additions          | Reductions          | Ending<br>Balance     | Due In<br>One Year  |
|--|----------------------|--------------------|---------------------|-----------------------|---------------------|
| Notes payables                         | \$ 340,000           | \$ -               | \$ 340,000          | \$ -                  | \$ -                |
| Dormitory system bonds                 | 34,710,000           | -                  | 3,790,000           | 30,920,000            | 4,060,000           |
| Other bonds                            | 73,950,000           | -                  | 5,620,000           | 68,330,000            | 5,845,000           |
| Bond premium                           | 5,253,940            | -                  | 539,398             | 4,714,542             | 539,398             |
| <b>Total bonds &amp; notes payable</b> | <b>114,253,940</b>   | <b>-</b>           | <b>10,289,398</b>   | <b>103,964,542</b>    | <b>10,444,398</b>   |
| <b>Other Liabilities:</b>              |                      |                    |                     |                       |                     |
| Vacation pay                           | 8,062,724            | 6,238,833          | 5,765,942           | 8,535,615             | 5,179,000           |
| Sick leave                             | 3,986,000            | 271,545            | 352,545             | 3,905,000             | 317,000             |
| Federal student loan deposits          | 8,318,432            | -                  | -                   | 8,318,432             | -                   |
| <b>Total other liabilities</b>         | <b>20,367,156</b>    | <b>6,510,378</b>   | <b>6,118,487</b>    | <b>20,759,047</b>     | <b>5,496,000</b>    |
| <b>Total long-term liabilities</b>     | <b>\$134,621,096</b> | <b>\$6,510,378</b> | <b>\$16,407,885</b> | <b>\$ 124,723,589</b> | <b>\$15,940,398</b> |

The scheduled maturities of the bonds for the five fiscal years subsequent to June 30, 2007, and subsequent periods thereafter are as follows:

|               | <u>General Receipts</u>     |                      |                      |                       |
|---------------|-----------------------------|----------------------|----------------------|-----------------------|
|               | <u>Dormitory<br/>System</u> | <u>Other</u>         | <u>Interest</u>      | <u>Total</u>          |
| Interest rate | 2.5% - 5.75%                | 3.125% - 5.75%       |                      |                       |
| 2008          | \$ 4,265,000                | \$ 4,790,000         | \$ 4,476,488         | \$ 13,531,488         |
| 2009          | 3,050,000                   | 4,985,000            | 3,974,650            | 12,009,650            |
| 2010          | 3,175,000                   | 5,190,000            | 3,532,725            | 11,897,725            |
| 2011          | 3,310,000                   | 5,450,000            | 3,114,943            | 11,874,943            |
| 2012          | 1,825,000                   | 5,840,000            | 2,724,688            | 10,389,688            |
| 2013-2017     | 9,170,000                   | 29,430,000           | 7,748,741            | 46,348,741            |
| 2018-2021     | 2,065,000                   | 6,800,000            | 682,513              | \$ 9,547,513          |
| <b>Totals</b> | <b>\$ 26,860,000</b>        | <b>\$ 62,485,000</b> | <b>\$ 26,254,748</b> | <b>\$ 115,599,748</b> |

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On June 1, 2005, the University issued \$28,345,000 General Receipt Bonds, Series 2005 with an average interest rate of 4.5% to partially advance refund \$27,880,000 of the General Receipt Bonds, Series 2000 with an average interest rate of 5.3%. The proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the General Receipt Bonds, Series 2000. As a result, the refunded portion of the General Receipt Bonds, Series 2000 are considered to be defeased, and the liability for those bonds has been removed from the balance sheet. The balance of debt issuance defeased in substance in prior years that remains outstanding as of June 30, 2007 is \$27,880,000.

On November 2, 2004, the University issued \$40,570,000 General Receipt Bonds, Series 2004 to finance an information technology system, improvements to certain education and auxiliary facilities and to partially advance refund \$7,185,000 of the General Receipt Bonds, Series 1996. The General Receipt Bonds, Series 2004 has an average interest rate of 3.8% and the General Receipt Bonds, Series 1996 have an average interest rate of 5.1%. The proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the General Receipt Bonds, Series 1996. As a result, the refunded portion of the General Receipt Bonds, Series 1996 are considered to be defeased, and the liability for these bonds has been removed from the balance sheet. The balance of debt issuance defeased in substance in prior years that remains outstanding as of June 30, 2007 is \$5,895,000.

In May 2003, the University issued \$27,225,000 General Receipt Bonds, 2003 to finance dormitory renovations, Bowen Thompson Student Union renovations, Recreation Center air conditioning, campus infrastructure project and to advance refund the General Receipt Bonds, Series 1991 and 1992. Interest rates range from 4.75% to 5.75%. The proceeds for the advance refunding were deposited with an escrow trustee for all future debt service payments on the General Receipt Bonds, 1991 and 1992. As a result, the bonds outstanding were considered defeased, and the liability was removed from the balance sheet. The balance of debt issuance defeased in substance in prior years that remains outstanding as of June 30, 2007 is \$1,315,000.

In November 2000, the University issued \$54,660,000 General Receipts Bonds for dormitory renovations, Bowen Thompson Student Union renovation, Recreation Center air conditioning and the campus infrastructure project. Interest rates range from 4.75% to 5.75%.

Unspent bond proceeds of \$23,322,207 as of June 30, 2007 are classified as Restricted Investments.

The principal and interest payments of all General Receipts Bonds are collateralized by the pledge of the general receipts of the University. The bond indentures have various restrictive covenants with which the University management believes they have complied.

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8. RETIREMENT BENEFITS

The University contributes to two cost-sharing multiple-employer defined benefit plans: (1) Public Employees Retirement System of Ohio (OPERS), and (2) State Teachers Retirement System of Ohio (STRS). Both plans provide retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC). OPERS and STRS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 for OPERS, and 275 East Broad Street, Columbus, Ohio, 43215-3771, or by calling (614) 227-4090 or 1-888-227-7877 for STRS.

The funding policy for the above plans is as follows:

*OPERS:* The ORC provides statutory authority for employee and employer contributions, OPERS administers three separate pension plans as described below:

*Traditional Pension Plan* – A cost sharing, multiple-employer defined benefit pension plan.

*Member-Directed Plan* – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulated retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

*Combined Plan* – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

For 2006, member and employer contribution rates were consistent across all three plans. From July 1, 2005, through December 31, 2005, OPERS employees contributed 8.5% of their salary to the plan and the University contributed 13.31% of covered payrolls to the plan. From January 1, 2006, through June 30, 2007, employees contributed 9.0% while the University contributed 13.54%. From July 1, 2005, through December 31, 2005, law enforcement employees contributed 10.1% of their salary and the University contributed 16.7% of covered payrolls. From January 1, 2006, through June 30, 2007, law enforcement employees contributed 10.10% and the University contributed 16.93%. The total employer contributions to OPERS for the years ended June 30, 2005, 2006, and 2007 were \$7,906,000, \$8,594,000 and \$8,905,000 respectively, which were equal to 100% of the required contributions for each year.

*STRS:* STRS is a statewide retirement plan for licensed teachers and other faculty members and provides a choice of three retirement plan options.

**Defined Benefit Plan (DB Plan)** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age.

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The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying final average salary by 2.2% for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1%, starting at 2.5% for the 31<sup>st</sup> year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5%, and each year over 31 years is incrementally increased by .1% starting at 2.6% for the 32<sup>nd</sup> year. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to compute the maximum annual retirement allowance.

*Define Contribution Plan (DC Plan)* – Benefits are established under Sections 3307.80 to 3307.89 of the ORC. For members who select the DC Plan all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

*Combined Plan* – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity.

The ORC provides statutory authority for employee and employer contributions. During 2006, STRS employees contributed 10% of their salary to the plan and the University contributed 14.0% of covered payrolls to the plan. The total employer contributions to STRS for the years ended June 30, 2005, 2006, and 2007 were \$7,469,000, \$7,609,000, and \$7,896,000 respectively, which were equal to 100% of the required contributions for each year.

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system (ARP) for academic and administrative university employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The Bowling Green State University board of trustees adopted such a plan effective January 25, 2000. Ohio Amended Substitute Senate Bill 133 became effective September 15, 2004, authorizing participation in an alternative retirement system (ARP) by classified university employees. On



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September 30, 2005, the Bowling Green State University board of trustees amended its alternative retirement plan to conform with this legislative change effective August 1, 2005. This plan is a defined contribution plan under IRS section 401(a). The total employer contribution to ARP for the years ended June 30, 2005, 2006, and 2007 were \$3,576,000, \$3,934,000, and \$4,473,000 respectively.

Employees have 120 days from their employment date to select a retirement plan. A retiree of STRS or OPERS is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for the DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

9. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Ohio Revised Code provides the statutory authority requiring the University to fund postretirement health care through employer contributions to OPERS and STRS.

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, state employers contributed at a rate of 13.77% of covered payroll, and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions, for all employers, allocated to health care was 4.50%.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of Assumptions:

**Actuarial Review** - The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2005.

**Funding Method** - The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

**Assets Valuation Method** - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

**Investment Return** - The investment assumption rate for 2005 was 6.50%.

**Active Employee Total Payroll** - An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

**Health Care** - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB is advance-funded on an actuarially determined basis.

**Participants** - The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804.

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**Contributions** - The University contributed 13.77% for state employees of which 4.50% was used to fund health care and 17.17% for law enforcement employees of which 4.50% was used to fund health care. The total employer contributions to PERS for the years ended June 30, 2005, 2006, and 2007 were \$2,376,000, \$2,537,000, and \$2,913,000 respectively.

**Actuarial Value** - The amount of \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2005.

**Liability** - Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2005, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$31.3 billion and \$20.2 billion, respectively.

**Preservation Plan** - The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

STRS provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the STRS board has discretionary authority over how much, if any, of associated health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the health care benefits are not guaranteed and the cost of the coverage paid from STRS funds shall be included in the employer's contribution rate, currently 14% of covered payroll.

The STRS Board allocates employer contributions to the post-employment health care fund from which health care coverage is subsidized. For the fiscal years ended June 30, 2006, and June 30, 2005, the Board allocated employer contributions equal to 1% of covered payroll to this fund which had ending balances of \$3.5 billion and \$3.3 billion respectively.

For the year ended June 30, 2006, the net health care benefit expenses paid by STRS were \$300,690,000, and there were 119,184 eligible benefit recipients.

10. RISK MANAGEMENT

During the normal course of operations, the University has become a defendant in various legal and administrative actions. In accordance with FASB Statement No. 5, liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of legal counsel and University management, the disposition of all pending litigation will not have a material adverse effect on the financial condition of the University.

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

The University self-insures its health care program up to a specific limit of \$200,000 per individual event. Specific stop loss coverage is provided by Medical Mutual of Ohio.

Risk financing methods for Property and Casualty exposures include a combination of insurance, self insurance and risk pooling-via a joint program formed with other four-year publicly funded universities in the State. This program is referred to as the Inter-University Council Insurance Consortium [IUC-IC] and it obligates member institutions to realize the first \$100,000 per covered loss for nearly all exposures before the claim reaches the pool and eventually the insured layers of the program. All of fourteen member institutions participate in the program with the exception of Ohio State. The operation of the pool is managed by a Board of Governors consisting of one member representative and one alternate from each institution.

Changes in the balances of claims liabilities for the years indicated for the health coverage are as follows:

|                         | 2007                | 2006                | 2005                |
|-------------------------|---------------------|---------------------|---------------------|
| Unpaid claims - July 1  | \$ 1,600,000        | \$ 1,500,000        | \$ 1,400,000        |
| Incurred claims         | 17,099,240          | 16,544,114          | 14,489,656          |
| Paid claims             | 17,099,240          | 16,444,114          | 14,389,656          |
| Unpaid claims - June 30 | <u>\$ 1,600,000</u> | <u>\$ 1,600,000</u> | <u>\$ 1,400,000</u> |

This actuarially determined liability for estimates of losses retained by the University for outstanding claims and claims incurred but not reported is the University's best estimate based on past experience and current claims outstanding. Actual claims experience may differ from the estimate. Settlements have not exceeded insurance coverage in each of the past three years.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Worker's Compensation (the Bureau) based on estimates that incorporate the past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the worker's compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the worker's compensation claims of participating State agencies and universities.

11. CONTINGENCIES

In the normal course of its activities, the University is a party in various legal and administrative actions. Although some actions have been brought for large amounts, the University has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending action and information relative to potential future claims based on past events, the University's management is of the opinion that the outcome thereof will not have a material effect on the University's financial position.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006

Grants and contracts - The University receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from government grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts at predetermined rates that are negotiated with the University's federal cognizant agency. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. University management believes any adjustments of costs resulting from such examination by the granting agency would be insignificant.

12. NEW PRONOUNCEMENTS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension*, establishes standards for disclosure information on post-employment benefits. Statement 45 supersedes Statement 12, and is effective for fiscal periods beginning after December 15, 2006, and therefore will be adopted in the next fiscal year.

# Supplemental Information

# Bowling Green State University

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

| Program/Federal Agency   | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures |
|--|----------------|----------------------------------|--------------|
| <b>Student Financial Aid Cluster:</b>  |                |                                  |              |
| U.S. Department of Education:  |                |                                  |              |
| Federal Supplemental Educational Opportunity Grants                                  | 84.007         | U.S. Department of Education     | \$ 747,798   |
| Federal-Work Study Program   | 84.033         | U.S. Department of Education     | 732,617      |
| Federal Pell Grant Program   | 84.063         | U.S. Department of Education     | 11,869,760   |
| Academic Competitiveness Grant   | 84.375         | U.S. Department of Education     | 636,783      |
| SMART Grant  | 84.376         | U.S. Department of Education     | 231,604      |
| Total Student Financial Aid Cluster  |                |                                  | 14,218,562   |
| <b>Research and Development Cluster:</b>   |                |                                  |              |
| U.S. Department of Agriculture:  |                |                                  |              |
| Agricultural Research – Basic and Applied Research                                   |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| Ohio State University Research Foundation:   |                |                                  |              |
| Ohio's Greenhouse Industry   | 10.001         | (1)                              | 2,642        |
| Grants for Agricultural Research, Special Research Grants                            |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| University of Toledo:  |                |                                  |              |
| Remote Sensing & Sewer Sludge  | 10.200         | 2004-38898-02140                 | 33,943       |
| Monitoring Agricultural Sewage Sludge  | 10.200         | 2004-38898-02140                 | 263,677      |
| Ohio State University Research Foundation:   |                |                                  |              |
| Ohio's Greenhouse Industry   | 10.200         | (1)                              | 9,915        |
| Research Greenhouse Ohio   | 10.200         | (1)                              | 62,683       |
| Research Greenhouse Ohio   | 10.200         | (1)                              | 34,849       |
|  |                |                                  | 405,067      |
| Total U.S. Department of Agriculture   |                |                                  | 407,709      |
| U.S. Department of Commerce:   |                |                                  |              |
| Economical Development Technical   |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| Economic Development Administration:   |                |                                  |              |
| University Economic Development Center   | 11.303         | (1)                              | 112,104      |
| University Economic Development Center   | 11.303         | (1)                              | 63,249       |
|  |                |                                  | 175,353      |
| Sea Grant Support  |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| Ohio Sea Grant:  |                |                                  |              |
| Employing Trace Element Contents   | 11.417         | (1)                              | 4,097        |
| Office of Oceanic and Atmospheric Research (OAR) Joint<br>and Cooperative Institutes |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| Ohio Sea Grant:  |                |                                  |              |
| Develop MODIS Image Product Map  | 11.432         | (1)                              | 6,024        |

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

| Program/Federal Agency   | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures     |
|--|----------------|----------------------------------|------------------|
| <b>Research and Development Cluster (continued):</b>                   |                |                                  |                  |
| National Oceanic Atmospheric Administration,<br>Department of Commerce |                |                                  |                  |
| Pass-through from:   |                |                                  |                  |
| DOC NOAA:  |                |                                  |                  |
| Water Quality, Remote Sensing  | 11.460         | (1)                              | 60,304           |
| SABRE Systems, Inc.:   |                |                                  |                  |
| Foreign-Born Population  | 11.XXX         | 3800-BGS                         | 86,011           |
| Total U.S. Department of Commerce                                      |                |                                  | <u>331,789</u>   |
| U.S. Department of Defense:  |                |                                  |                  |
| Basic and Applied Scientific Research                                  |                |                                  |                  |
| Pass-through from:   |                |                                  |                  |
| Office of Naval Research:  |                |                                  |                  |
| Energy Cure Remote Location  | 12.300         | N00014-05-1-0372                 | 253,937          |
| Energy Cure Remote Location  | 12.300         | N00014-06-1-0948                 | 312,908          |
| Defense Advanced Research Projects Agency:                             |                |                                  |                  |
| Stealthy Sensors   | 12.300         | N660001-06-C-2010                | 124,531          |
|  |                |                                  | <u>691,376</u>   |
| Military Medical Research and Development                              |                |                                  |                  |
| Pass-through from:   |                |                                  |                  |
| U.S. Army Research Lab:  |                |                                  |                  |
| Luminescent Materials/Displays   | 12.420         | DAAD190320032                    | (21,989)         |
| Basic Scientific Research  |                |                                  |                  |
| Pass-through from:   |                |                                  |                  |
| Defense Advanced Research Projects Agency:                             |                |                                  |                  |
| Protein Conformation Changes   | 12.431         | W911NF-06-1-0337                 | 380,529          |
| Air Force Defense Research Sciences Program                            |                |                                  |                  |
| Pass-through from:   |                |                                  |                  |
| Air Force Science Research Lab:  |                |                                  |                  |
| Metal-Organinc Chromophores  | 12.800         | FA9550-05-1-0276                 | 503,473          |
| Mathematical Sciences Grants Program                                   |                |                                  |                  |
| Pass-through from:   |                |                                  |                  |
| DOD:   |                |                                  |                  |
| Curtis-Tits-Phan to Moufang  | 12.901         | (1)                              | 12,782           |
| Research and Technology Development                                    |                |                                  |                  |
| Pass-through from:   |                |                                  |                  |
| Defense Advanced Research Projects Agency:                             |                |                                  |                  |
| Polymer Bioinspired Sensor   | 12.910         | 04-02                            | 133,821          |
| Total U.S. Department of Defense                                       |                |                                  | <u>1,699,992</u> |
| U.S. Department of the Interior:                                       |                |                                  |                  |
| Water Reclamation and Reuse Program                                    |                |                                  |                  |
| Pass-through from:   |                |                                  |                  |
| Central State University:  |                |                                  |                  |
| Episodic Fluid Migration   | 15.504         | (1)                              | 11,708           |



Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

| Program/Federal Agency  | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures |
|---|----------------|----------------------------------|--------------|
| <b>Research and Development Cluster (continued):</b>          |                |                                  |              |
| U.S. Department of the Interior (continued):                  |                |                                  |              |
| Fish & Wildlife Management Assistance                         |                |                                  |              |
| Pass-through from:  |                |                                  |              |
| Florida Fish & Wildlife Conservation:                         |                |                                  |              |
| Rare/Imperiled Wildlife in FL                                 | 15.608         | (1)                              | 6,771        |
| Seven Species of Interest FL                                  | 15.608         | (1)                              | 5,558        |
|   |                |                                  | 12,329       |
| Coastal Program   |                |                                  |              |
| Pass-through from:  |                |                                  |              |
| Great Lakes Fishery Commission:                               |                |                                  |              |
| Round Goby/Dreissenid, Bass                                   | 15.630         | (1)                              | (2)          |
| Conservation Grants Private Stewardship for Imperiled Species |                |                                  |              |
| Pass-through from:  |                |                                  |              |
| DOI Fish and Wildlife Service:                                |                |                                  |              |
| Audubon's Crested Caracara                                    | 15.632         | (1)                              | 36,596       |
| State Wildlife Grants   |                |                                  |              |
| Pass-through from:  |                |                                  |              |
| Ohio Department of Natural Resources:                         |                |                                  |              |
| Lycaeides Melissa Samuelis                                    | 15.634         | (1)                              | 407          |
| Lark Sparrow Chond Grammacus                                  | 15.634         | (1)                              | 1,086        |
| Lycaeides Melissa Samuelis                                    | 15.634         | (1)                              | 7,242        |
| State Endangered Lark Sparrow                                 | 15.634         | (1)                              | 23,037       |
| American Ginseng Populations                                  | 15.634         | (1)                              | 4,199        |
|   |                |                                  | 35,971       |
| Total U.S. Department of Interior                             |                |                                  | 96,602       |
| U.S. Department of Labor:                                     |                |                                  |              |
| Occupational Safety and Health State Program                  |                |                                  |              |
| Pass-through from:  |                |                                  |              |
| University of Cincinnati                                      |                |                                  |              |
| Health & Safety Training                                      | 17.503         | A064500008022                    | 124          |
| Total U.S. Department of Labor                                |                |                                  | 124          |
| National Aeronautic Space Administration (NASA):              |                |                                  |              |
| Aerospace Education Services Program                          |                |                                  |              |
| Pass-through from:  |                |                                  |              |
| NASA Glenn Research Center:                                   |                |                                  |              |
| Support for NASA Mars EVA                                     | 43.001         | NCC3-1093                        | 102          |
| Dartmouth College:  |                |                                  |              |
| Global Clusters Field Halo                                    | 43.001         | 536969.572                       | 19,370       |
|   |                |                                  | 19,472       |

# Bowling Green State University

## Schedule of Expenditures of Federal Awards (continued)

| Program/Federal Agency                                       | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures   |
|--|----------------|----------------------------------|----------------|
| <b>Research and Development Cluster (continued):</b>         |                |                                  |                |
| National Aeronautic Space Administration (NASA) (continued): |                |                                  |                |
| Technology Transfer  |                |                                  |                |
| Pass-through from:   |                |                                  |                |
| NASA Glenn Research Center:                                  |                |                                  |                |
| Plum Brook Alternative Professor                             | 43.002         | (1)                              | 17,657         |
| Hybrid Diesel Vehicle Project                                | 43.002         | (1)                              | 36,426         |
| NASA Research Professor                                      | 43.002         | (1)                              | 173,784        |
| University of Oklahoma:                                      |                |                                  |                |
| Drosophila Melanogaster                                      | 43.002         | (1)                              | 77,843         |
| Space Telescope Science Institute:                           |                |                                  |                |
| Normal Giant Ellipticals                                     | 43.002         | 09811                            | 5,841          |
|  |                |                                  | <u>311,551</u> |
| Total National Aeronautic Space Administration               |                |                                  | <u>331,023</u> |
| National Endowment for the Humanities:                       |                |                                  |                |
| Promotion of the Humanities – Fellowships and Stipends       |                |                                  |                |
| Working Man: Mexico City                                     | 45.160         | FB-52468                         | 22,342         |
| Promotion of the Humanities Research                         |                |                                  |                |
| Pass-through from:   |                |                                  |                |
| Ohio State University Research Foundation:                   |                |                                  |                |
| Rational Sentimentalism                                      | 45.161         | (1)                              | (154)          |
| Total National Endowment for the Humanities                  |                |                                  | <u>22,188</u>  |
| National Science Foundation:                                 |                |                                  |                |
| Engineering Grants   |                |                                  |                |
| Multi-Anion Sensing  | 47.041         | ECS-0330267                      | 163,155        |
| Mathematical and Physical Sciences:                          |                |                                  |                |
| Metal-Peptide Nanoassemblies                                 | 47.049         | CHE-045-5441                     | 79,360         |
| High Quantum Efficiency                                      | 47.049         | DMR-0306117                      | (1,414)        |
| Polymerization Lasers  | 47.049         | DMR-0091689                      | 644            |
| Towards Molecular Optical Data                               | 47.049         | CHE-0134782                      | 61,526         |
| Confocal Microscope  | 47.049         | CHE-0541803                      | 301,045        |
| Halo Stars   | 47.049         | AST-0307340                      | 4,419          |
| RR Lyrae Variables   | 47.049         | AST-9988259                      | 333            |
|  |                |                                  | <u>445,913</u> |
| Geosciences:   |                |                                  |                |
| Nitrifying of Lake Superior                                  | 47.050         | (1)                              | 24,498         |
| Cyanobac Iron-Dependent Bioreporters                         | 47.050         | (1)                              | 12,943         |
|  |                |                                  | <u>37,441</u>  |
| Computer and Information Science and Engineering             |                |                                  |                |
| Decision – Space Navigation Modules                          | 47.070         | (1)                              | 52,426         |

# Bowling Green State University

## Schedule of Expenditures of Federal Awards (continued)

| Program/Federal Agency   | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures |
|--|----------------|----------------------------------|--------------|
| <b>Research and Development Cluster (continued):</b>           |                |                                  |              |
| National Science Foundation (continued):                       |                |                                  |              |
| Biological Sciences:   |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| DOD Office of Naval Research:                                  |                |                                  |              |
| RCN: RNA Ontology Consortium                                   | 47.074         | MCB-0443508                      | 47,282       |
| Algal Biodiversity Smoky Mtns                                  | 47.074         | (1)                              | 41,894       |
| Cytoplasmic Membrane Energy                                    | 47.074         | (1)                              | 43,425       |
| Chem Orientation Turb Environ                                  | 47.074         | (1)                              | 3,391        |
| Hippocampal Representation of Space in Birds                   | 47.074         | IBN-0075891                      | 5,840        |
|  |                |                                  | 141,832      |
| Social, Behavioral, and Economic Sciences                      |                |                                  |              |
| Population Correlations  | 47.075         | SES-0423825                      | 67,280       |
| Education and Human Resources:                                 |                |                                  |              |
| Learning and Geologic Sciences                                 | 47.076         | DUE-0536739                      | 37,055       |
| Graduate Math and Science Teaching ED                          | 47.076         | (1)                              | 218,370      |
|  |                |                                  | 255,425      |
| Polar Programs:  |                |                                  |              |
| Vostok Accretion Ice   | 47.078         | (1)                              | 61,300       |
| Adare Basin Seamount Lavas                                     | 47.078         | ANT-0538374                      | 7,690        |
| Volcanism Glaciation , ANT                                     | 47.078         | ANT-0538033                      | 16,003       |
|  |                |                                  | 84,993       |
| Total National Science Foundation                              |                |                                  | 1,248,465    |
| United States Department of Education:                         |                |                                  |              |
| Vocational Education Basic Grants to States                    |                |                                  |              |
| Career-Technical Teacher Ed 07                                 | 84.048         | (1)                              | 60,900       |
| Safe and Drug-free Schools and Communities – National Programs |                |                                  |              |
| High Risk Drinking College Students                            | 84.184         | (1)                              | 116,530      |
| Civic Education – Cooperative Education Exchange Program       |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| Center for Civic Education:                                    |                |                                  |              |
| Teaching for Democracy   | 84.304         | (1)                              | 1,139        |
| Education Research, Development and Dissemination              |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| University of Michigan:  |                |                                  |              |
| Prof Dev First Grade Teachers                                  | 84.305M        | (1)                              | 492          |
| Special Education – State Personnel Development                |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| University of Cincinnati:                                      |                |                                  |              |
| Pilot Reading Tutors   | 84.323         | (1)                              | 506          |
| Improving Teacher Quality State Grants                         |                |                                  |              |
| BGSU Teacher Ed Assess Sys                                     | 84.367         | (1)                              | 7,825        |
| Total United States Department of Education                    |                |                                  | 187,392      |

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

| Program/Federal Agency  | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures   |
|---|----------------|----------------------------------|----------------|
| <b>Research and Development Cluster (continued):</b>                            |                |                                  |                |
| U.S. Department of Health and Human Services:                                   |                |                                  |                |
| Adolescent Family Life Research Grants  |                |                                  |                |
| Teen Sexuality  | 93.111         | 5 APRPA006009-02-00              | 99,734         |
| Research Related to Deafness and Communication Disorders                        |                |                                  |                |
| Models of Phonation   | 93.173         | (1)                              | (358)          |
| Pass-through from:  |                |                                  |                |
| Purdue University:  |                |                                  |                |
| Fluid Structure – Human Larynx  | 93.173         | 1-R01-DC005788-01A1              | 83,248         |
|   |                |                                  | <u>82,890</u>  |
| Mental Health Research Grants   |                |                                  |                |
| Rat Navigational System   | 93.242         | 1-R01-MH660460-04                | 41,148         |
| Drug Abuse and Addiction Research Programs                                      |                |                                  |                |
| Ethopharmacological Charact   | 93.279         | (1)                              | 137,829        |
| Cancer Treatment Research   |                |                                  |                |
| Natural Enediyne Antibiotics  | 93.395         | 2-R15-CA091856-02                | 3,062          |
| mAbs and Esophageal Cancers   | 93.395         | (1)                              | (394)          |
|   |                |                                  | <u>2,668</u>   |
| Arthritis, Musculoskeletal, and Skin Diseases Research                          |                |                                  |                |
| Pass-through from:  |                |                                  |                |
| Research Foundation of SUNY:  |                |                                  |                |
| Biomech Eval Wrist Injuries   | 93.846         | (1)                              | 3,571          |
| Extramural Research Programs in the Neurosciences and<br>Neurological Disorders |                |                                  |                |
| Rat Head Directional Signal   | 93.853         | 5-R01-NS35191-08                 | 89,329         |
| Spatial Memory/Theta Rhythm   | 93.853         | 5-R01-NS044373-04                | 34,354         |
|   |                |                                  | <u>123,683</u> |
| Microbiology and Infectious Diseases Research                                   |                |                                  |                |
| Influenza A in Asian Lakes  | 93.856         | (1)                              | 69,823         |
| Biomedical Research and Research Training                                       |                |                                  |                |
| HMGB1 Estrogen Receptor   | 93.859         | 2-R15-GM054357-03                | 45,470         |
| RNA Motifs  | 93.859         | 2-R15-GM055898-04                | 81,823         |
|   |                |                                  | <u>127,293</u> |
| Child Health and Human Development Extramural Research                          |                |                                  |                |
| Mexican-Origin Extended Family  | 93.865         | 5-R03-HD044700-02                | 68,631         |
| CFDR  | 93.865         | 1-R24-HD05959-02                 | 200,674        |
| Child Development Cohabiting  | 93.865         | 1-K01-HD042478-03                | 33,293         |
| Sexual Risk-Taking in Youth   | 93.865         | 1-R01-HD044206-02                | 333,774        |
| NICHD Population Research Ctr   | 93.865         | 5-R21-HD42831-03                 | 139            |
|   |                |                                  | <u>636,511</u> |
| Pass-through from:  |                |                                  |                |
| University of Michigan:   |                |                                  |                |
| Cohabiting Unions – U.S.  | 93.865         | F008707                          | 47,367         |
|   |                |                                  | <u>683,878</u> |

# Bowling Green State University

## Schedule of Expenditures of Federal Awards (continued)

| Program/Federal Agency  | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures |
|---|----------------|----------------------------------|--------------|
| <b>Research and Development Cluster (continued):</b>            |                |                                  |              |
| U.S. Department of Health and Human Services (continued):       |                |                                  |              |
| Aging Research  |                |                                  |              |
| Aging & the Cholinergic System                                  | 93.866         | 5-R01-AG20560-03                 | 65,920       |
| Cohabitation Older Adults                                       | 93.866         | 5-R03-AG024512-02                | 38,646       |
|   |                |                                  | 104,566      |
| Pass-through from:  |                |                                  |              |
| University of Wisconsin-Madison:                                |                |                                  |              |
| Divorce, Solidarity, Support                                    | 93.866         | 100H284                          | 9,925        |
|   |                |                                  | 114,491      |
| HIV Prevention Activities – Health Department Based             |                |                                  |              |
| Pass-through from:  |                |                                  |              |
| Ohio Department of Health:                                      |                |                                  |              |
| Ohio HIV Eval Training Project                                  | 93.940         | (1)                              | 105          |
| Ohio HIV Eval Training Project                                  | 93.940         | (1)                              | 70,131       |
| Ohio HIV Eval Training Project                                  | 93.940         | (1)                              | 50,205       |
|   |                |                                  | 120,441      |
| Stable RNA 3-Way Junctions                                      | 93.XXX         | 2-R15-GM55898-03                 | 1,964        |
| Role of HMG-1 and HMG-2   | 93.XXX         | 2-R15-GM54357-02                 | 485          |
| Neurochemical Correlates  | 93.XXX         | (1)                              | 5,213        |
| Pass-through from:  |                |                                  |              |
| University of California:                                       |                |                                  |              |
| Sentence Processing   | 93.XXX         | 10202962-006                     | 25,371       |
| Total Department of Health and Human Services                   |                |                                  | 1,640,482    |
| Total Research and Development Cluster                          |                |                                  | 5,965,766    |
| <b>Other Grants and Contracts:</b>                              |                |                                  |              |
| U.S Department of Commerce:                                     |                |                                  |              |
| Public Telecommunications Facilities Planning and Construction  |                |                                  |              |
| PTFP Video Production Switcher                                  | 11.550         | (1)                              | 112,919      |
| Total U.S Department of Commerce                                |                |                                  | 112,919      |
| National Endowment for the Arts:                                |                |                                  |              |
| Promotion of the Arts – Grants to Organizations and Individuals |                |                                  |              |
| Mid-American Review   | 45.024         | (1)                              | 9,647        |
| Total National Endowment for the Arts                           |                |                                  | 9,647        |
| National Science Foundation:                                    |                |                                  |              |
| Mathematical and Physical Sciences                              |                |                                  |              |
| Pass-through from:  |                |                                  |              |
| Ohio State University Research Foundation:                      |                |                                  |              |
| LSAMP, Ohio Seed Grant  | 47.049         | (1)                              | 11,123       |
| Oh Cons for Undergrad Research                                  | 47.049         | RF01046308                       | 10,336       |
|   |                |                                  | 21,459       |

# Bowling Green State University

## Schedule of Expenditures of Federal Awards (continued)

| Program/Federal Agency                                   | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures     |
|--|----------------|----------------------------------|------------------|
| <b>Other Grants and Contracts (continued):</b>           |                |                                  |                  |
| National Science Foundation (continued):                 |                |                                  |                  |
| Education and Human Resources                            |                |                                  |                  |
| Pass-through from:                                       |                |                                  |                  |
| Kennesaw State University:                               |                |                                  |                  |
| Environmental Science – 21st Century                     | 47.076         | (1)                              | 22,304           |
| Total National Science Foundation                        |                |                                  | <u>43,763</u>    |
| U.S. Department of Education:                            |                |                                  |                  |
| TRIO Cluster:  |                |                                  |                  |
| Student Support Services                                 | 84.042         | (1)                              | 582,627          |
| Student Support Services                                 | 84.042         | (1)                              | (88,600)         |
|  |                |                                  | <u>494,027</u>   |
| Educational Talent Search Program                        | 84.044         | (1)                              | 32,203           |
| Educational Talent Search Program                        | 84.044         | (1)                              | 265,469          |
|  |                |                                  | <u>297,672</u>   |
| Upward Bound   | 84.047         | (1)                              | 255,810          |
| Total TRIO Cluster                                       |                |                                  | <u>1,047,509</u> |
| Vocational Education – Basic Grants to States            |                |                                  |                  |
| Pass-through from:                                       |                |                                  |                  |
| Ohio Department of Education:                            |                |                                  |                  |
| Capacity – Building Faculty FY06                         | 84.048         | (1)                              | 16,360           |
| Capacity – Building Faculty                              | 84.048         | (1)                              | 48               |
|  |                |                                  | <u>16,408</u>    |
| Fund for the Improvement of Post Secondary Education     |                |                                  |                  |
| Pass-through from:                                       |                |                                  |                  |
| Georgia Southern University:                             |                |                                  |                  |
| NAFTA’s Second Generational Challenges                   | 84.116         | (1)                              | 6,175            |
| Fund for the Improvement of Education                    |                |                                  |                  |
| Pass-through from:                                       |                |                                  |                  |
| Fremont Schools:   |                |                                  |                  |
| History Links  | 84.215         | (1)                              | 52,232           |
| Fostoria Community School District:                      |                |                                  |                  |
| Expanding America  | 84.215         | (1)                              | 113,580          |
|  |                |                                  | <u>165,812</u>   |
| Civic Education – Cooperative Education Exchange Program |                |                                  |                  |
| Pass-through from:                                       |                |                                  |                  |
| Center for Civic Education:                              |                |                                  |                  |
| CIVITAS Africa   | 84.304         | (1)                              | (1,986)          |
| CIVITAS X  | 84.304         | (1)                              | 12,638           |
| CIVITAS XI   | 84.304         | (1)                              | 107,113          |
| CIVITAS Africa   | 84.304         | (1)                              | 54,628           |
|  |                |                                  | <u>172,393</u>   |

# Bowling Green State University

## Schedule of Expenditures of Federal Awards (continued)

| Program/Federal Agency   | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures |
|--|----------------|----------------------------------|--------------|
| <b>Other Grants and Contracts (continued):</b>   |                |                                  |              |
| U.S. Department of Education (continued):  |                |                                  |              |
| Special Education Technical Assistance and Dissemination to<br>Improve Services and Results for Children with Disabilities |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| University of Dayton:  |                |                                  |              |
| Ohio SKI-HI Institute  | 84.326         | (1)                              | 14,311       |
| Gaining Early Awareness and Readiness for Undergraduate Programs   |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| Western Michigan University:   |                |                                  |              |
| MERC GearUp Learning Centers   | 84.334         | (1)                              | 1,160,496    |
| Tech Connections: Phase One  | 84.334         | (1)                              | 48,436       |
| MERC GearUp Learning Centers 2   | 84.334         | (1)                              | 505,396      |
|  |                |                                  | 1,714,328    |
| Teacher Quality Enhancement Grants   |                |                                  |              |
| DREAMS   | 84.336         | (1)                              | 27,597       |
| Partnership in Context & Community   | 84.336         | (1)                              | 502,819      |
|  |                |                                  | 530,416      |
| International Education –Technological Innovation and<br>Cooperation for Foreign Information Access                        |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| Council for Citizenship Education – Sage Colleges:   |                |                                  |              |
| A Civis Mosaic   | 84.337         | (1)                              | 3,723        |
| Transition to Teaching Close the Gaps  | 84.350         | (1)                              | 274,923      |
| Improving Teacher Quality State Grants   |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| Ohio Board of Regents:   |                |                                  |              |
| Coordinating NETS-T Standards  | 84.367         | (1)                              | (1,297)      |
| CatalystOHIO   | 84.367         | (1)                              | 38,605       |
|  |                |                                  | 37,308       |
| Total U.S. Department of Education   |                |                                  | 3,983,306    |
| U.S. Department of Health and Human Services:  |                |                                  |              |
| Environmental Health Project Excite  | 93.113         | (1)                              | 244,985      |
| HIV Prevention Activities – Health Department Based  |                |                                  |              |
| Pass-through from:   |                |                                  |              |
| Ohio Department of Health:   |                |                                  |              |
| AIDS – College Education   | 93.940         | (1)                              | 20,600       |

# Bowling Green State University

## Schedule of Expenditures of Federal Awards (continued)

| Program/Federal Agency  | CFDA<br>Number | Agency or<br>Pass-Through Number | Expenditures                |
|---|----------------|----------------------------------|-----------------------------|
| <b>Other Grants and Contracts (continued):</b>                            |                |                                  |                             |
| U.S. Department of Health and Human Services (continued):                 |                |                                  |                             |
| Block Grants for Prevention and Treatment of Substance Abuse              |                |                                  |                             |
| Pass-through from:  |                |                                  |                             |
| ODADAS:   |                |                                  |                             |
| High-Risk Drinking Prevention   | 93.959         | (1)                              | 29,677                      |
| Total U.S. Department of Health and Human Services                        |                |                                  | <u>295,262</u>              |
| Corporation for National Community Service:                               |                |                                  |                             |
| Americorps  |                |                                  |                             |
| Pass-through from:  |                |                                  |                             |
| Ohio Community Service Council:   |                |                                  |                             |
| WC Americorps 2005-06   | 94.006         | (1)                              | 290,384                     |
| WC/AMERICORPS HOST SITE SHARE   | 94.006         | (1)                              | 77,822                      |
| Total Corporation for National Community Service                          |                |                                  | <u>368,206</u>              |
| U.S. Agency for International Development:                                |                |                                  |                             |
| USAID Development Partnerships for University Cooperation and Development |                |                                  |                             |
| Pass-through from:  |                |                                  |                             |
| U.S. Agency for International Development:                                |                |                                  |                             |
| Democratic Press: Tunisia   | 98.012         | (1)                              | 7,433                       |
| Higher Education for Development:   |                |                                  |                             |
| Civic Educ Partnership Initiative for Lebanon & Morocco                   | 98.012         | HNE-A-97--00059-00               | 18,546                      |
| Total U.S. Agency for International Development                           |                |                                  | <u>25,979</u>               |
| U.S. Department of State:   |                |                                  |                             |
| Strengthening Civic Education   | 19.XXX         | (1)                              | (10,455)                    |
| Total U.S. Department of State  |                |                                  | <u>(10,455)</u>             |
| Total Other Grants and Contracts  |                |                                  | <u>4,828,627</u>            |
| Total Federal Expenditures  |                |                                  | <u><u>\$ 25,012,955</u></u> |

(1) No agency or pass-through identification number available.

*See accompanying notes to schedule of expenditures of federal awards.*



# Bowling Green State University

## Notes to the Schedule of Expenditures of Federal Awards

June 30, 2007

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bowling Green State University (the University) and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the financial statements.

### 2. Loans Outstanding

The University had the following loan balances outstanding for the Federal Perkins Loan and Nursing Student Loan programs at June 30, 2007 and 2006, respectively:

| <u>Program Title</u>  | <u>Federal CFDA<br/>Number</u> | <u>2007<br/>Outstanding<br/>Balance</u> | <u>2006<br/>Outstanding<br/>Balance</u> |
|-----------------------|--------------------------------|---|---|
| Federal Perkins Loans | 84.038                         | \$ 8,247,407                            | \$ 8,308,620                            |
| Nursing Student Loans | 93.364                         | 510,110                                 | 462,575                                 |

Total Perkins loans advanced during 2007 was \$1,681,075 plus additional administrative costs of \$81,974.

Total Nursing loans advanced during 2007 was \$130,000.

Bowling Green State University

Notes to the Schedule of Expenditures of Federal Awards (continued)

**3. Federal Direct Student Loans (CFDA No. 84.268)**

The University acts as the intermediary for students obtaining Federal Direct Loans from the U.S. Department of Education. The Department of Education is responsible for billings and collections of the loans. The University assists the Department of Education by processing the applications and disbursing the funds from the Department of Education to the students. Loans advanced to students during the fiscal year ended June 30, 2007 were as follows:

|                              |               |
|------------------------------|---------------|
| Federal Direct Student Loans |               |
| Direct Subsidized            | \$ 37,847,658 |
| Direct Unsubsidized          | 22,888,885    |
| Parent PLUS                  | 14,395,903    |
| Total                        | \$ 75,132,446 |

**4. Subrecipients**

Of the federal expenditures presented in the schedule of expenditures of federal awards, the University provided federal awards to subrecipients as follows:

| Sub-Grantee                | Federal<br>CFDA<br>Number | Amount<br>Provided |
|----------------------------|---------------------------|--------------------|
| University of Toledo       | 10.200                    | \$ 20,495          |
| Miami University           | 11.303                    | 63,285             |
| Ohio University            | 11.303                    | 62,050             |
| Central State University   | 11.460                    | 11,014             |
| Spectra Group Ltd          | 12.300                    | 54,925             |
| Battelle                   | 12.431                    | 45,344             |
| John Carroll               | 47.074                    | 26,364             |
| Loyola Marymont University | 47.074                    | 9,384              |
| Poland                     | 84.304                    | 15,000             |
| Ukraine                    | 84.304                    | 15,000             |
| University of Toledo       | 84.334                    | 66,388             |
| Cleveland State University | 84.350                    | 41,938             |
| Wayne State University     | 84.350                    | 143,896            |
| Arizona State University   | 93.865                    | 38,724             |
|                            |                           | \$ 613,807         |

## Bowling Green State University

### Notes to the Schedule of Expenditures of Federal Awards (continued)

#### **5. Indirect Costs**

The University recovers indirect costs by means of predetermined fixed indirect cost rates. The predetermined fixed rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The fixed rate effective for the period July 1, 2003 to June 30, 2007 for on-campus research is 39% of modified total direct costs, and the off-campus rate is 20% of modified total direct costs.

Report of Independent Auditors on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of the Financial Statements Performed in  
Accordance With *Government Auditing Standards*

The Board of Trustees  
Bowling Green State University

We have audited the financial statements of Bowling Green State University (the University), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2007, and have issued our report thereon dated October 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as 07-01 and 07-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

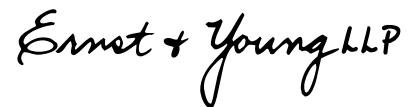
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the University in a separate letter dated October 12, 2007.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 12, 2007

## Report of Independent Auditors on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

The Board of Trustees  
Bowling Green State University

### Compliance

We have audited the compliance of Bowling Green State University (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-02.

### Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

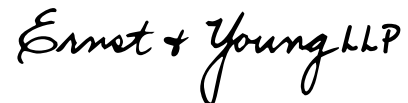
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The University's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion it.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of Bowling Green State University and its discretely presented component unit as of and for the year ended June 30, 2007, and have issued our report thereon dated October 12, 2007. Our audit was conducted for the purpose of forming opinions on the basic financial statements of Bowling Green State University. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 12, 2007

Bowling Green State University

Schedule of Findings and Questioned Costs

June 30, 2007

**Part I—Summary of Auditor’s Results**

**Financial Statements Section**

Type of auditor’s report issued (unqualified, qualified, adverse, or disclaimer):

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

       **Yes**        X   **No**

Significant deficiency(ies) identified that are not considered to be material weaknesses?

  X   **Yes**             **None reported**

Noncompliance material to financial statements noted?

       **Yes**        X   **No**

**Federal Awards Section**

Internal control over major programs:

Material weakness(es) identified?

       **Yes**        X   **No**

Significant deficiency(ies) identified that are not considered to be material weaknesses?

       **Yes**        X   **None reported**

Type of auditor’s report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?

  X   **Yes**             **No**



Bowling Green State University

Schedule of Findings and Questioned Costs (continued)

Identification of major programs:

| CFDA Number(s)   | Name of Federal Program or Cluster                                       |
|--|--|
| 84.007, 84.033, 84. 038, 84.063<br>84.268, 84.375, 84.376, 93.364<br>Various | Student Financial Assistance Cluster<br>Research and Development Cluster |

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,388

Auditee qualified as low-risk auditee?

X  Yes          No

**Part II—Financial Statement Findings Section**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

**Finding 07-01**

**Criteria or specific requirement:**

The University should analyze the percentage used to calculate the allowance for doubtful accounts to ensure it is based on historical data.

**Condition:**

The percentages used by the University to calculate the allowance for doubtful accounts are not based on actual historical information such as the aging of the accounts receivable and a historical look-back analysis of the amount that is actually collected on delinquent student fee accounts by aging category.

Bowling Green State University

Schedule of Findings and Questioned Costs (continued)

**Finding 07-01 (continued)**

**Context:**

Currently, the allowance for doubtful accounts is set at \$650,000.

**Effect:**

The estimated allowance for doubtful accounts and student fee revenue could be misstated.

**Cause:**

The University does not perform a hindsight review of actual delinquent student fees collected or an analysis of collectibility based on actual collections to date to more accurately estimate the allowance for doubtful accounts.

**Recommendation:**

We recommend that the percentages used be based on an aging of the accounts receivable, a historical look-back analysis of the amount that is actually collected on delinquent accounts by aging category, or some other historical analysis of actual collections.

**Views of Responsible Officials and Planned Corrective Actions:**

Management will continue to work towards ensuring that the percentages used to estimate the allowance for doubtful accounts are based on historical collections.

Bowling Green State University

Schedule of Findings and Questioned Costs (continued)

**Finding 07-02**

**Criteria or specific requirement:**

The University should capitalize all significant assets and ensure they are being properly capitalized upon being placed into service.

**Condition:**

Currently, the University's capitalization policy includes capitalizing items that are greater than 5% of the building cost. This could potentially lead to material items not being capitalized, which would not be in accordance with Generally Accepted Accounting Principles.

**Context:**

Currently, the University's capitalization policy includes capitalizing items that are greater than 5% of the building cost.

**Effect:**

Construction in Progress, depreciation expense, and repair and maintenance expenditures could be misstated.

**Cause:**

The University does not timely review all significant asset improvements to ensure they are properly capitalized and transferred to fixed assets upon placing it into service.

Bowling Green State University

Schedule of Findings and Questioned Costs (continued)

**Finding 07-02 (continued)**

**Recommendation:**

The University's capitalization policy includes capitalizing items that are greater than 5% of the building cost. This could potentially lead to material items not being capitalized, which would not be in accordance with Generally Accepted Accounting Principles. The University's capitalization policy should be changed, so that items are properly capitalized.

Fixed assets should be inventoried and reviewed for existence and proper classification. Once a complete listing of fixed assets has been determined, the detail fixed asset information should be maintained in the computer system to prevent manual manipulation and error.

The University has several large projects recorded in construction in progress that can be broken down into phases. The University does not transfer its construction in progress amounts to a specific capitalized asset account until the entire project is complete, even though certain phases of the project may be complete and in service. The University should review construction in progress projects for timely capitalization to the proper asset account as phases are completed. This will ensure both assets and the related depreciation expense are properly stated.

Bowling Green State University

Schedule of Findings and Questioned Costs (continued)

**Finding 07-02 (continued)**

**Views of Responsible Officials and  
Planned Corrective Actions:**

We concur with the recommendation to review and revise the University's existing capitalization policy. A revised policy, consistent with those existing at other Ohio public colleges and universities, will be implemented within the next fiscal year.

We concur with the recommendation to ensure that a complete and accurate listing of all fixed assets be maintained within FMS. The University already has an annual, cyclical review process to physically validate and confirm the existence of moveable equipment. We intend to review all items currently contained within the system (post system conversion), as well as items still maintained manually, and to systematically correct and move inventoried assets into FMS as well as the associated accumulated depreciation.

We do not concur with the recommendation to begin capitalizing and depreciating partially constructed assets prior to their being placed into service. We concur with the recommendation to begin a more thorough, coordinated and on-going monitoring of CIP to ensure that completed construction projects are properly removed from CIP and transferred into FMS as a depreciable asset.

Bowling Green State University

Schedule of Findings and Questioned Costs (continued)

**Part III—Federal Award Findings and Questioned Costs Section**

This section identifies the audit findings required to be reported by Circular A-133 Section 510(a) (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

**Finding 07-03**

**Federal program information:**

Federal Direct Students Loans (CFDA # 84.268)

**Criteria or specific requirement (including statutory, regulatory, or other citation):**

When a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment where the recipient began attendance, the institution must determine the amount of Title IV aid earned by student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs in the prescribed order as required under 34 CFR section 668.22(i).

**Condition:**

We reviewed and recomputed a random sample of 25 return of Title IV assistance calculations prepared by the University's Student Financial Aid Office. During our review, we noted that the University had used the incorrect date of withdrawal for one student.

Bowling Green State University

Schedule of Findings and Questioned Costs (continued)

**Finding 07-03 (continued)**

**Questioned costs:**

Less than \$200.

**Context:**

The return of Title IV calculation was not calculated in accordance with federal guidelines.

**Effect:**

The University did not use the correct determination date of withdrawal for a student. This resulted in the University not returning the correct amount of Title IV assistance nor informing the student of the correct amount they were also required to return.

**Cause:**

The University did not enter the correct withdrawal date into the FAA Access to CPS Online – Return of Title IV Funds calculator.

**Recommendation:**

We recommend management institute procedures to ensure all information entered into the FAA Access to CPS Online – Return of Title Funds calculator is correct.

**Views of Responsible Officials and Planned Corrective Actions:**

Management will ensure all information entered into the FAA Access to CPS Online – Return of Title Funds calculator is correct.

Bowling Green State University

Summary Schedule of Prior Audit Findings

June 30, 2007

**Finding 06-01**

**Federal program information:**

Gaining Early Awareness and Readiness For Undergraduate Programs (CFDA #84.334) and Teacher Quality Enhancement Grant (CFDA #84.336)

**Criteria or specific requirement (including statutory, regulatory, or other citation):**

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Suspension and debarment certifications are required to be received or determinations are to be made for subawards and covered contracts before any procurement transactions take place.

**Conclusion:**

A policy was created requiring a review to be performed on all new vendors set up to ensure they are not listed on the Excluded Parties List System website.



## Report of Independent Auditor on Applying Agreed-Upon Procedures

Dr. Sidney A. Ribeau, President  
Bowling Green State University

We have performed the procedures enumerated below, which were agreed to by Bowling Green State University (the University) and the National Collegiate Athletic Association (NCAA), solely to assist you with respect to complying with NCAA bylaws for the year ended June 30, 2007. The University's management is responsible for the accompanying Schedule of Operating Revenues and Expenditures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

### **I. Schedule of Operating Revenues and Expenditures and Internal Controls**

1. We obtained the Schedule of Operating Revenues and Expenditures (Schedule 1) for the Intercollegiate Athletics Department (the Department) for the year ended June 30, 2007, as prepared by management. We recomputed the subtotal and total line items on Schedule 1 and agreed all amounts on the Schedule 1 to management's detailed worksheets and to the appropriate general ledger accounts. We found no exceptions as a result of these procedures.
2. We performed a comparison of the operating revenues and expenditures per Schedule 1 for fiscal years 2007 and 2006. We obtained management's explanations for variations greater than \$50,000 and 10% of each revenue and expenditure line item in the aggregate as follows:
  - a. Football ticket sales increased by approximately \$90,000, or 14%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that a push toward the end of the season caused ticket sales to meet expectations for the season. The additional home game versus the University of Wisconsin caused a large increase in ticket sales, which when looked at as net revenue total, was the most profitable of all games.

- b. Football guarantees increased approximately \$700,000, or 233%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to a game played against The Ohio State University in Columbus, Ohio, along with an increase in away games outside of the Mid-American Conference (MAC). Guarantees can fluctuate from year to year depending on the team schedule.
- c. Football coaches' salaries increased approximately \$91,400, or 12%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that there was a new football operations position added in the current year, causing additional salary expense. Also, assistant coaches who have left the University near the end of the year received vacation payouts for unused vacation.
- d. Football team travel costs increased approximately \$59,400, or 24%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the additional away game played in the 2006-07 year caused additional travel expenses. Also, travel expenses for the Bowling Green State University versus the University of Wisconsin game which was played in Cleveland, Ohio contributed to this increase.
- e. Football equipment costs decreased approximately \$249,500, or 65%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that expenses incurring in the prior year, specifically headsets and video editing equipment, were not incurred in the current year.
- f. Football game guarantees increased by \$175,000, or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to guarantees paid for the Wisconsin football game.
- g. Football allocated expenses increased by approximately \$73,100, or 135%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was a result of the University being loaned money in the prior year to purchase the XOS video system, no money was loaned to them in the current year.
- h. Men's basketball coaches' salaries increased approximately \$59,400, or 22%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to a new coach being hired in the current year at a higher salary and as a result of vacation payouts to the former staff.

- i. Other sports NCAA distribution increased \$140,200 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to the women's basketball team making it the Sweet Sixteen of the NCAA tournament.
- j. Non-program specific institutional support decreased by approximately \$189,800, or 48%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease is due to a loan for \$250,000 given in the prior year to assist the football program due to low guarantee revenue. This did not occur in the current year and was partially offset by an increase in other institutional support areas.
- k. Non-program specific NCAA distributions decreased \$74,800 or 10%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this change was due the women's basketball distribution being recorded in other sports in the current year. These were previously recorded in non-program specific revenue, as it was difficult to identify the sport of which the distribution related to.
- l. Non-program specific stadium suites revenue increased approximately \$146,600, or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this change was due to a classification difference in the current year. In the prior year, \$125,000 was included in the line item "gifts".
- m. Non-program specific gifts decreased approximately \$135,500, or 29%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this change was due to a classification difference in the current year. In the current year gifts relating to the stadium suites were included in that specific line item. In addition, Falcon Club memberships dropped in the current year.
- n. Non-program specific sports school and camps revenue decreased approximately \$51,100, or 11%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that camp revenue fluctuates widely due to overlapping fiscal years and to timing issues. However, the attendance for sports camps, especially relating to football camps, was less than the previous year.

- o. Non-program specific miscellaneous revenue decreased approximately \$260,100, or 47%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this decrease is due to the University's reclassification of miscellaneous expenses into the major line items in order to more accurately align and identify revenues in accordance with the NCAA reporting guidelines.
  - p. Non-program specific equipment expense decreased approximately \$71,200, or 51%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this decrease is due the purchase of football instant replay equipment and clothing for the bookstore in the prior year.
  - q. Non-program specific stadium suites internal financing increased approximately \$66,400, or 33%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this change is due to scoreboard debt expense in the current year.
  - r. Non-program specific sports camp expenses decreased approximately \$218,900, or 38%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this change is due to a decrease in the overall sports camp participation in the current year.
  - s. Non-program specific game guarantees decreased \$104,500 or 97%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this change is due to these being more appropriately expensed in the current year with the individual sport in which they corresponded.
  - t. Non-program specific other allocated expenses increased approximately \$77,000, or 6%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this change is due to miscellaneous expenses related to away games which increased in the current year, as well as the installation of instant replay at the hockey arena.
3. We performed a comparison of actual operating revenues and expenditures per Schedule 1 to the budgeted amounts obtained from management. We obtained management's explanation for variations greater than \$50,000 and 10% of each operating revenue and operating expense line item in the aggregate. They included the following:

- a. The actual amount for student athlete services revenue was over budget by approximately \$59,800, or 40%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this difference was due to NCAA academic enhancement dollars which should have been budgeted as student athlete services, but was recorded in the intercollegiate athletics account amount instead.
- b. The actual amount for the marketing and promotions revenue was under budget in total by approximately \$235,000, or 39%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to lower than expected sponsorship dollars with higher expected revenue from the prior year. There were also some amounts which were recorded in different line items then in the prior year.
- c. The actual amount for development revenue was under budget by \$274,400, and 46%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that budgeted revenue was higher in the current year due to the addition of the Sebo Center and increased optimism with a new Athletic Director. These factors increased the University's optimism of gifts and Falcon Club memberships; however, the University's goals were not achieved.
- d. The actual amount of revenue for football special games was lower than budget by approximately \$359,500, or 65%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to all revenues from the University of Wisconsin football game being given to the University as net of expenses, and lower than expected ticket sales for that game.
- e. The actual amount of revenue from men's basketball operations was under budget by approximately \$62,100, or 31%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to lower than expected ticket sales due to poor performance during the season.
- f. The actual amount of revenue from men's hockey operations was under budget by approximately \$49,600, or 27%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to lower than expected ticket sales due to poor performance during the season.

- g. The actual amount of revenue from women's basketball operations was over budget by approximately \$32,200, or 161%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to excellent performance during the year which resulted in higher ticket sales.
- h. Actual expenses from the Intercollegiate Athletics (ICA) account were under budget by approximately \$560,800, or 16%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to expenses for ICA personnel, Athletic Grant in Aid, and Athlete Student Services, which were not listed in this account at year end, but were budgeted in this account.
- i. Expenses for ICA personnel were over budget by approximately \$420,600, or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to these expenses being budgeted in the general ICA account as noted in '2i' above.
- j. Expenses for athletic grants and aid were over budget by approximately \$309,900, or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to these expenses being budgeted in the general ICA account as noted in '2i' above.
- k. Expenses for student athletic services were over budget by approximately \$81,300, or 782%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to actual salary expenses being included in this line item, while they were budgeted in the ICA account.
- l. Expenses for women's golf were under budget by approximately \$68,200, or 52%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to specific grants in aid which were included in the budget, but were underutilized. As the NCAA limits the amount of aid to be given for this sport, the University budgeted for the total aid amount, and this total amount was not awarded.
- m. Expenses for women's track were under budget by approximately \$50,900, or 11%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to specific grants in aid which were included in the budget, but were underutilized. As the NCAA limits the amount of aid to be given for this sport, the University budgeted for the total aid amount, and this amount was not awarded.

4. We obtained a description of accounts and compared classifications of revenues and expenditures to NCAA guidelines. We have found no exceptions as a result of these procedures.
5. We reviewed the extent of documentation of accounting systems and procedures. We also made certain inquiries of management regarding control consciousness, competence of personnel and protection of records and equipment. We tested specific elements of the control environment that were unique to intercollegiate athletics by randomly selecting 25 days in the cash receipts log from July 1, 2006 to June 30, 2007, and noting that each day's cash receipts log was reviewed by the ticket office manager. No exceptions were noted as a result of this procedure.
6. We were informed that the Department adheres to the following University policies and procedures for acquiring, approving, depreciating, and disposing of assets. Capital assets are recorded at cost at the date of acquisition, or if acquired by gift at the fair value at the date of donation. The University capitalizes all equipment with a cost of \$3,500 or more, and an estimated life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds \$100,000. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation.
7. The Athletic Department has one outstanding notes payable to the University for the scoreboard. We recalculated the annual maturities and agreed these to supporting documentation and the accounting records. The future amounts of principal and interest payments on the notes payable are as follows:

|           | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|--------------|
| 2008      | 154,436          | 31,016          | 181,285      |
| 2009      | 88,381           | 23,449          | 111,830      |
| 2010      | 91,917           | 19,914          | 111,830      |
| 2011      | 95,593           | 16,237          | 111,830      |
| 2012-2014 | 310,340          | 25,152          | 335,492      |

8. We obtained all the listings of tickets sales for football, hockey, and men's basketball. We agreed the ticket revenue per Schedule 1 to the total of the event sales report, in which we recomputed the revenue based on ticket prices. We found a \$(1,506), or (1.1)% difference in basketball, \$(26,439), or (3.8)% difference in football, and a \$(128), or (.17)% difference in hockey ticket sales revenue compared to the Schedule.
9. We obtained a reconciliation between student fees reported by the University in Schedule 1 to the amount budgeted for the year. We found no exceptions as a result of these procedures.

10. We obtained copies of all guarantees in and out during the academic year 2006-2007, and agreed the amount recorded to the contract; agreed amount received to the check or check remittance; and agreed amount to the University's accounting records. We found no exceptions noted as a result of these procedures.
11. We obtained detail for the direct institutional support. We agreed this to the accounting records. It was noted that an amount was included in institutional support that should have been included in sponsorship income. This was appropriately reclassified.
12. We randomly selected a sample of five concession, program, and parking revenue transactions from a detailed transaction listing. We agreed these to the supporting documentation and cash receipt. We found no exceptions as a result of these procedures.
13. We randomly selected a sample of five licensing/sponsorship and advertising transactions from a detailed list of transactions. We agreed these to the general ledger and supporting documentation. We found no exceptions as a result of these procedures.
14. We randomly selected twenty five individual camp participant payments and compared them to the University's accounting records. We obtained explanations for how revenue is calculated for both internal camps and external camps. We found no exceptions as a result of these procedures.
15. We agreed all gift and stadium suites revenue to the cash receipt from the Foundation and to the University's accounting records. We noted one item that should be recorded as sponsorship income; however, this was appropriately reclassified.
16. We randomly selected a sample of twenty five student aid recipients from various men's and women's sports. We agreed the amount per the Financial Aid list to the NCAA student records website. We checked the aid award codes with a listing of code descriptions, and confirmed that the aid is an athletic grant. We agreed these NCAA records to a listing of transactions for each student from the Bursar's office, ensuring the amount was given to the student athlete. We found no exceptions as a result of these procedures.
17. We agreed tournament revenue for Women's Basketball, Women's Soccer, and Women's Track to the general ledger. In addition, we obtained support for the NCAA distributions, agreeing them to the general ledger. We found no exceptions as a result of these procedures.
18. We randomly selected a sample of eight other revenue transactions and agreed to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.



19. We randomly selected a sample of ten coaches and support staff employed by the University from various men's and women's sports. We agreed the amounts paid to the contracts, and compared for reasonableness to W-2's and recorded expense per PeopleSoft. We noted no exceptions as a result of these procedures.
20. We obtained and documented our understanding of the University's recruiting expense and team travel policies, comparing them to the NCAA policies on a test basis. We found no exceptions as a result of these procedures.
21. We randomly selected a sample of three equipment expenses and agreed to supporting detail, noting that these were valid equipment expenses. We found no exceptions as a result of these procedures.
22. We randomly selected a sample of five advertising expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
23. We randomly selected a sample of five sports camp expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
24. We agreed all facility rentals to the appropriate documentation and general ledger. We found no exceptions as a result of these procedures.
25. We randomly selected a sample of five institutional membership transactions, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
26. We randomly selected a sample of five telephone expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
27. We randomly selected a sample of five non-employee compensation game expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
28. We randomly selected a sample of eight other operating expenses to agree to the appropriate documentation and the general ledger. As a result of this test, we found one instance where an item was recorded incorrectly to miscellaneous expense, and should have been included in sponsorship income. This was appropriately reclassified.

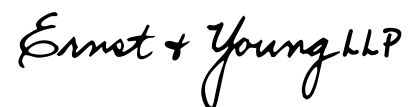
29. We compared contributions, received directly by the Athletic Department in excess of 10% of total contributions, to the accounting records of the University. We identified two contributions, \$3,000,000 for the Sebo Athletic Center and \$461,456 from revenue relating to the Falcon Club from the Bowling Green State University Foundation (the Foundation), that exceeded 10% of all contributions for the year ended June 30, 2006. We agreed these to the check or wire transfer, noting a difference of \$281.

## II. Booster Organizations

1. We obtained the Schedule of Intercollegiate Athletics Program Support by Booster Organizations for the year ended June 30, 2007 (Schedule 2) from the Foundation.
2. We obtained a confirmation from the Foundation indicating that Schedule 2 was the complete schedule of contributions made to the Athletic Department.
3. We agreed beginning cash balances to the prior year schedule and ending balances to the Foundation's accounting records. The amounts included in Schedule 2 are not included in Schedule 1 unless contributed directly to the University by the outside organization. We found no exceptions as a result of these procedures.
4. We received the audited financial statements of the Foundation, which administers the booster organizations, for the year ended June 30, 2007, which reflected an unqualified opinion.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items, including Schedule 1 and Schedule 2 or on the effectiveness of the internal control over financial reporting. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Bowling Green State University and the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties.



October 12, 2007

Bowling Green State University  
Intercollegiate Athletics Department  
Schedule of Operating Revenues and Expenditures  
Year Ended June 30, 2007

|   | Men's<br><u>Football</u> | Men's<br><u>Basketball</u> | Men's<br><u>Hockey</u> | Other<br><u>Sports</u> | Non-Program<br><u>Specific</u> | <u>Total</u>        |
|---|--------------------------|----------------------------|------------------------|------------------------|--------------------------------|---------------------|
| <u>Operating Revenue:</u>                       |                          |                            |                        |                        |                                |                     |
| Ticket Sales                                    | \$ 722,113               | \$ 136,805                 | \$ 125,481             | \$ 63,921              | \$ -                           | \$ 1,048,320        |
| Post Season Game Proceeds                       | -                        | -                          | -                      | -                      | -                              | -                   |
| TV Broadcasting Rights                          | -                        | -                          | -                      | -                      | -                              | -                   |
| Concessions                                     | 11,190                   | 3,453                      | 5,911                  | 3,918                  | 4,800                          | 29,272              |
| Student Activity Fees                           | -                        | -                          | -                      | -                      | 8,910,579                      | 8,910,579           |
| Institutional Support                           | -                        | -                          | -                      | -                      | 209,186                        | 209,186             |
| Game Guarantees                                 | 1,000,000                | 50,000                     | -                      | -                      | -                              | 1,050,000           |
| NCAA Distribution                               | -                        | -                          | -                      | 140,163                | 652,524                        | 792,687             |
| Licensing/Sponsorships                          | -                        | -                          | -                      | -                      | 528,405                        | 528,405             |
| Programs  | 4,093                    | 1,079                      | 683                    | 1,280                  | -                              | 7,135               |
| Advertising                                     | -                        | -                          | -                      | -                      | 19,153                         | 19,153              |
| Parking   | 14,805                   | -                          | 9,235                  | -                      | -                              | 24,040              |
| Stadium Suites                                  | -                        | -                          | -                      | -                      | 293,408                        | 293,408             |
| Gifts   | -                        | -                          | -                      | -                      | 327,199                        | 327,199             |
| Sports Schools & Camps                          | -                        | -                          | -                      | -                      | 435,599                        | 435,599             |
| Miscellaneous                                   | -                        | -                          | -                      | -                      | 296,535                        | 296,535             |
| <b>Total Operating Revenues</b>                 | <b>1,752,201</b>         | <b>191,337</b>             | <b>141,310</b>         | <b>209,281</b>         | <b>11,677,388</b>              | <b>13,971,516</b>   |
| <u>Operating Expenditures:</u>                  |                          |                            |                        |                        |                                |                     |
| Coaches' Salaries                               | 832,937                  | 328,613                    | 211,298                | 1,029,522              | -                              | 2,402,369           |
| Other Salaries                                  | 45,283                   | 14,337                     | 500                    | 61,056                 | 1,855,464                      | 1,976,640           |
| Staff Benefits                                  | 229,104                  | 82,375                     | 60,191                 | 308,901                | 477,084                        | 1,157,655           |
| Non-Employee Comp. (Game Officials)             | 48,560                   | 52,907                     | 30,965                 | 63,644                 | 24,626                         | 220,702             |
| Films   | 1,223                    | -                          | 9                      | 220                    | -                              | 1,453               |
| Travel:   |                          |                            |                        |                        |                                | -                   |
| Team  | 310,218                  | 69,064                     | 78,617                 | 350,421                | 5,507                          | 813,827             |
| Recruiting                                      | 112,477                  | 35,926                     | 39,211                 | 95,421                 | -                              | 283,035             |
| Financial Aid                                   | 1,659,003                | 247,126                    | 374,950                | 2,281,598              | 310,042                        | 4,872,719           |
| Equipment                                       | 135,267                  | 12,301                     | 76,140                 | 122,763                | 69,254                         | 415,725             |
| Facility Rental                                 | -                        | -                          | -                      | -                      | 193,155                        | 193,155             |
| Game Guarantees                                 | 175,000                  | 23,000                     | 3,000                  | -                      | 2,697                          | 203,697             |
| Stadium Suites Internal Financing               | -                        | -                          | -                      | -                      | 266,461                        | 266,461             |
| Sports Camps                                    | -                        | -                          | -                      | -                      | 352,443                        | 352,443             |
| Memberships                                     | 75                       | -                          | 315                    | 2,375                  | 114,660                        | 117,425             |
| Telephone/Broadcasting                          | 11,923                   | 6,172                      | 6,865                  | 13,007                 | 115,700                        | 153,668             |
| Allocated Expenses                              | 19,020                   | 37,078                     | 7,276                  | 93,141                 | 1,323,275                      | 1,479,789           |
| <b>Total Operating Expenditures</b>             | <b>3,580,090</b>         | <b>908,898</b>             | <b>889,339</b>         | <b>4,422,068</b>       | <b>5,110,368</b>               | <b>14,910,763</b>   |
| Operating Revenues over<br>(under) Expenditures | <b>\$ (1,805,625)</b>    | <b>\$ (710,954)</b>        | <b>\$ (739,659)</b>    | <b>\$ (4,191,478)</b>  | <b>\$ 6,508,469</b>            | <b>\$ (939,247)</b> |

**Bowling Green State University**  
**Schedule of Intercollegiate Athletics Program Support By Booster Organizations**  
**Year Ended June 30, 2007**

| Booster Organization                       | Beginning Fund   |             | Receipts         | Disbursements on<br>behalf of program | Ending Fund      |
|--|------------------|-------------|------------------|---------------------------------------|------------------|
|  | Balance          | Adjustments |                  |                                       |                  |
| Alumni/Athletics Endowment                 | \$ 74,291        |             | \$ 13,773        |                                       | \$ 88,064        |
| Don Cunningham Memorial                    | 52,374           |             | 10,453           | (3,050)                               | 59,777           |
| Intercollegiate Athletics Dept.            | 10,597           |             | 49,219           | (52,790)                              | 7,026            |
| Perry Stadium Enhancement                  | (28)             |             | 28               |                                       | 0                |
| Gregory L. Brooks Soccer Schol             | 25,517           |             | 4,203            |                                       | 29,720           |
| Athletic Fitness & Weight Room             | 37               |             | 4,471            | (1,647)                               | 2,862            |
| Men's Basketball International Travel      | 1,855            |             | 10               |                                       | 1,865            |
| Carl C. Bachman Schol                      | 57,382           |             | 7,069            |                                       | 64,451           |
| Athletics Special Events                   | (34,317)         |             | 80,815           | (51,879)                              | (5,380)          |
| Men's Basketball                           | (37,818)         |             | 67,052           | (23,976)                              | 5,258            |
| Football                                   | 14,652           |             | 86,156           | (92,488)                              | 8,320            |
| Ice Hockey                                 | 10,716           |             | 99,592           | (77,793)                              | 32,516           |
| Women's Basketball                         | 27,343           |             | 82,956           | (51,754)                              | 58,544           |
| Women's Golf                               | 4,801            |             | 31,254           | (34,375)                              | 1,480            |
| Gymnastics Fund                            | 6,608            |             | 27,429           | (22,171)                              | 11,866           |
| Women's Tennis                             | 1,281            |             | 8,089            | (4,687)                               | 4,683            |
| Women's Track                              | 5,686            |             | 10,374           | (8,041)                               | 8,019            |
| Volleyball                                 | 13,394           |             | 16,494           | (8,504)                               | 21,383           |
| Softball                                   | 8,664            |             | 6,466            | (5,659)                               | 9,471            |
| Mel Brodt Track & Cross Country Schol.     | 40,454           |             | 9,180            |                                       | 49,634           |
| Women's Soccer                             | 5,174            |             | 5,388            | (4,655)                               | 5,907            |
| Baseball                                   | 9,857            |             | 63,530           | (62,061)                              | 11,327           |
| Men's Golf                                 | (771)            |             | 23,684           | (17,300)                              | 5,613            |
| Men's Soccer                               | 7,703            |             | 11,962           | (19,160)                              | 506              |
| Swimming                                   | 2,001            |             | 24,947           | (24,660)                              | 2,289            |
| Men's Tennis                               | 579              |             | 4                | (585)                                 | (2)              |
| Men's Track                                | (41)             |             | 41               |                                       | (0)              |
| Men's Cross Country                        | 4,467            |             | 4,267            | (1,185)                               | 7,549            |
| Women's Cross Country                      | 3,978            |             | 4,123            | (2,727)                               | 5,375            |
| Glenn Sharp Schol.                         | 74,891           |             | 27,773           | (10,730)                              | 91,934           |
| BGSU Cheerleading                          | 1,192            |             |                  |                                       | -                |
| Bob & Karen Sebo Schol.                    | 242,914          |             | 39,334           | (8,376)                               | 273,872          |
| Clarence & Sally Metzger Schol             | 57,679           |             | 11,561           |                                       | 69,239           |
| Coaches Excellence                         | 275,114          |             | 49,748           | (2,750)                               | 322,112          |
| Mickey & Patricia Cochrane Schol.          | 44,629           |             | 7,460            |                                       | 52,089           |
| Samuel M. Cooper Athletic Schol.           | 29,956           |             | 3,804            |                                       | 33,760           |
| Athletic Golf Fund                         | 168,757          |             | 47,787           | (27,221)                              | 189,322          |
| Falcon Club                                | 433,875          |             | 305,512          | (462,055)                             | 277,332          |
| Falcon Club-Designated                     | (22,504)         |             | 40,019           | (17,356)                              | 158              |
| Falcon Club-Operating                      | (1,232)          |             | (11)             |                                       | (1,243)          |
| Falcon Club-Reserve                        | 158,246          |             | 31,108           |                                       | 189,353          |
| Falcon Club Athletic Schol.                | 58,959           |             | 9,409            |                                       | 68,368           |
| Dewey & Ellen Fuller Schol.                | 43,659           |             | 7,121            | (3,219)                               | 47,562           |
| Harms Cross Country Schol.                 | (177)            |             | 5,171            | (4,989)                               | 5                |
| Mark A. Brecklen Athletics/Football        | -                |             | -                | -                                     | -                |
| Barb Veselich Award                        | 74               |             | 0                |                                       | 74               |
| Hockey Renovation Fund                     | 15,423           |             | 2,487            |                                       | 17,910           |
| Hodge Family Soccer Schol.                 | 40,764           |             | 7,188            |                                       | 47,952           |
| Joyce S. Hof Schol.                        | 79,701           |             | 13,224           |                                       | 92,925           |
| William J. Lloyd Athletic Award            | 12,768           |             | 1,808            |                                       | 14,576           |
| John & Diane McNutt Schol.                 | 92,816           |             | 11,824           |                                       | 104,639          |
| Lanny L. Miles Memorial Schol.             | 1,340            |             | 208              |                                       | 1,548            |
| Leslie Ann Dawley Memorial Fund            | 76,214           |             | 12,819           | (500)                                 | 88,533           |
| Scholar Athlete Recognition Fund           | 69               |             | 660              | (346)                                 | 383              |
| Training Room Enhancement                  | 88,885           |             | 37,006           | (2,635)                               | 123,257          |
| Medical Mutual of Ohio CHAMPS Endow.       | 31,330           |             | 57,352           |                                       | 88,682           |
| Verlin Lee Science Educators Schol in ICA  | 828,255          |             | 199,198          | (98,815)                              | 928,637          |
| University Athletic Endowment              | 212,099          |             | 28,251           |                                       | 240,350          |
| Doyt & Loretta Perry Schol.                | 28,993           |             | 4,735            |                                       | 33,728           |
| Bernard A. Frick Endow. For Athl. Training | 236,389          |             | 544              | (7,393)                               | 229,540          |
| Creason-Piper Endowed Scholarship          | 107,549          |             | 16,701           | (6,931)                               | 117,318          |
| George H. & Ruthanna Frack Endwd Schol     | 25,439           |             | 6,479            |                                       | 31,919           |
| Earl E. Rupright Basketball Schol.         | 19,880           |             | 3,172            |                                       | 23,052           |
| Helen & Willard Schaller Schol.            | 30,148           |             | 3,836            |                                       | 33,984           |
| Mary E. Crawford Memorial Scholarship      | (7)              |             | 7                |                                       | (0)              |
| Soccer Stadium                             | 85,891           |             | 93,234           | (93,760)                              | 85,365           |
| Stadium Club                               | 40               |             | 0                |                                       | 40               |
| Stadium Scoreboard Fund                    | 60,378           |             | 215,957          | (78,585)                              | 197,750          |
| Stadium Suites                             | 1,300,168        |             | 1,933,642        | (3,002,080)                           | 231,729          |
| Sebo Athletic Center                       | (4,649)          |             | (42)             |                                       | (4,691)          |
| Falcon Women's Ldrship Athletic Fund       | 17,385           |             | 2,264            |                                       | 19,649           |
| John Weinert Schol.                        | 1,983            |             | 10               |                                       | 1,993            |
| Cara Whelan Wilson Schol.                  | 1,184            |             | 6                |                                       | 1,190            |
| Chet Boyer Memorial Fund                   | -                |             | -                |                                       | -                |
| Sandy & Dick Young Athletic Scholarship    | 51,059           |             | 8,148            |                                       | 59,207           |
| Larry & Sharon Barnett Schol.              | 5,530            |             | (4,479)          | (945)                                 | 106              |
| Hockey Memorial Fund                       | (447)            |             | 1,142,491        |                                       | 1,142,044        |
| Jeff & Lisa Lambert Bsktbl Coach Award     | 37,634           |             | 17,815           |                                       | 55,449           |
| Convocation Center                         | 34,786           |             | 10,361           | (5,634)                               | 39,513           |
| Falcon Club Endw for Womens Athletics      | 123,904          |             | 20,452           |                                       | 144,356          |
| Varsity BG Club                            | 16,272           |             | 837              |                                       | 17,109           |
| Vivian Endowed Hockey Schol.               | 27,355           |             | 3,592            |                                       | 30,946           |
| Baseball/Softball Locker Room Project      | 1,005            |             | 12               |                                       | 1,017            |
| Edway & Geraldine Johnson Schol for Sci    | 2,109,603        |             | 195,955          |                                       | 2,305,558        |
| Men's Basketball Summer Schol Pgm          | -                |             | -                |                                       | -                |
| Stroh Capital Project Fund                 | -                |             | -                |                                       | -                |
| Wilcox Athletic Schol                      | -                |             | -                |                                       | -                |
| Wilcox Outstanding Coaches Award           | -                |             | -                |                                       | -                |
| Dr. Richard Barker Schol for Athl Trng     | -                |             | -                |                                       | -                |
| Defending Our Turf Campaign Fund           | -                |             | 13,766           |                                       | 13,766           |
| Bill Bradshaw Athletic Memorial Fund       | -                |             | 1,001            |                                       | 1,001            |
| Blackburn Student Athlete Adv Cmte Award   | -                |             | -                |                                       | -                |
| L. Eugene & Janet Farison Football Schol   | -                |             | 27,197           |                                       | 27,197           |
| Women's Basketball Endowment               | -                |             | 29,591           |                                       | 29,591           |
| Student-Athlete Academic Support Service   | -                |             | 8,002            | (886)                                 | 7,116            |
| Falcon Invitational Fund                   | -                |             | 1,789            |                                       | 1,789            |
| Falcon Club Bash Fund                      | -                |             | 79,648           | (15,038)                              | 64,610           |
| Falcons Barnstorming Tour Fund             | -                |             | 92               | (3,298)                               | (3,206)          |
|  | <u>7,679,604</u> | <u>-</u>    | <u>5,547,668</u> | <u>(4,424,886)</u>                    | <u>8,801,193</u> |



**Mary Taylor, CPA**  
Auditor of State

**BOWLING GREEN STATE UNIVERSITY**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 11, 2007**